



**City of St. Helens**  
**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2010**

**CITY OF ST. HELENS**

**For the Year Ended June 30, 2010**

**CITY COUNCIL**

**Term Expires  
December 31,**

*Mayor*

Randall Peterson  
715 Maplewood Drive  
St. Helens, OR 97051

2010

*Councilors*

Keith Locke, President  
90 Columbia Blvd  
St. Helens, OR 97051

2012

Douglas Morten  
484 Grey Cliff Drive  
St. Helens, OR 97051

2010

Phillip Barlow  
104 N. Vernonia Rd  
St. Helens, OR 97051

2010

Patrick Martyn  
265 South 13<sup>th</sup> Street  
St. Helens, OR 97051

2012

**CITY STAFF**

Chad Olsen, *Administrator*

Marilyn L. Peterson, *Finance Director*

**CITY OF ST. HELENS**

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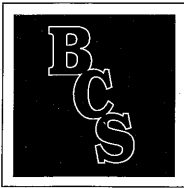
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**BOLDT, CARLISLE & SMITH LLC**

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

## INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members of the City Council**

**CITY OF ST. HELENS**

**St. Helens, Oregon**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF ST. HELENS**, 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.

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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF ST. HELENS**, as of June 30, 2010, the respective changes in financial position, cash flows, where applicable, thereof, and the respective budgetary comparisons for the General, State Tax Street, and Community Development Funds, 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 our report dated March 13, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A

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**Honorable Mayor and Members of the City Council  
CITY OF ST. HELENS  
St. Helens, Oregon**

**INDEPENDENT AUDITOR'S REPORT (Continued)**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *a* through *f* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Boldt, Carlisle & Smith, LLC**  
Certified Public Accountants  
Salem, Oregon  
March 16, 2011

By: 

Douglas C. Parham, Member

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# CITY OF ST. HELENS

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2010

### Introduction

City of St. Helens' discussion and analysis offers readers of the City's financial statements an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the basic financial statements (which immediately follow this discussion).

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$47.05 million. Of this amount, \$8.2 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- On a government-wide basis, the City's total net assets decreased \$.65 million. Net assets increased \$.58 million from governmental activities and decreased \$1.22 million from business-type activities. The increase in net assets attributed to governmental activities is reflective of cost saving efforts by departments. The decrease in net assets attributed to business type activities reflect the delay in rate increases (four months) combined with an increase in required capital outlays to meet environmental quality standards .
- On a fund basis, the City's governmental funds reported a combined ending fund balance of \$5.41 million. A \$.57 million decrease from the prior year is primarily the result of the economy.
- The General Fund's financial position declined over last fiscal year. On June 30, 2010, the ending fund balance is \$2.64 million, a decrease of \$.37 million (12.39%) from the previous year. Although revenues increased from the prior year, expenditures still exceeded revenue levels. The unreserved, undesignated fund balance is \$2.39 million, of which \$.63 million has been further designated by City Council for specific programs. The remaining fund balance of \$1.76 million represents 47% of operating revenues and can be used to meet the City's ongoing obligations to citizens and creditors. City Council has designated a minimum undesignated fund balance to reflect no less than 10% of operating expenditures.

### Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the City's basic financial statements and other required supplemental information. The City's basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements



## *Government-wide Financial Statements*

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and justice, land use and planning, street transportation, library and educational services, parks and recreation, tourism activities, and community housing services. The business-type activities include water system operations, sewer system operations, storm drain operations, and fleet maintenance activities.

## *Fund Financial Statements*

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to demonstrate finance-related legal compliance. All of the funds of the City can be divided into two categories: *governmental* or *proprietary*.

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund's financial statement focuses on the near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements. Because the focus of governmental funds is narrower than that of governmental activities financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's long-term financing decisions. The governmental funds' Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and government-wide activities.

Information is presented separately in the governmental funds' Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the General and State Tax Street Funds. Other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds* are maintained in two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for Water Operation Services, Sewer Operation Services, and Storm Drain Services. Internal Services Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for Fleet Operations. Because these services predominantly benefit business-type rather than governmental activities, they have been included within the business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

### *Notes to Basic Financial Statements*

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are an integral part of the basic financial statements.

### **Government-wide Financial Analysis**

#### *Statement of Net Assets (In \$ millions)*

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
<b>ASSETS</b>						
Current and other assets	\$ 6.12	\$ 6.73	\$ 9.03	\$ 9.61	\$ 15.14	\$ 16.34
Capital assets, net	15.95	14.86	28.88	27.33	44.83	42.19
Total assets	22.06	21.59	37.91	36.94	59.97	58.53
<b>LIABILITIES</b>						
Current liabilities	0.44	0.48	1.25	0.95	1.69	1.43
Long-term obligations	0.32	0.38	10.91	9.02	11.23	9.40
Total liabilities	0.76	0.86	12.16	9.97	12.93	10.83
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	15.83	14.69	18.15	18.49	33.98	33.17
Restricted	1.67	1.57	3.17	3.00	4.84	4.57
Unrestricted	3.80	4.47	4.43	5.48	8.23	9.95
<b>TOTAL NET ASSETS</b>	\$ 21.30	\$ 20.72	\$ 25.75	\$ 26.97	\$ 47.05	\$ 47.70

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's net assets totaled \$47.05 million at June 30, 2010.

The largest portion of the City's net assets represents its investment in capital assets, net of related debt. These assets include current year additions to roads, as well as water operations, sewer, and storm drain infrastructure. These assets are used to provide services to the citizens of our City.

The restricted net assets represent amounts which can be used only for specific purposes as imposed by external authorities or through applicable laws and regulations.

The unrestricted net assets are available to the City to meet its ongoing obligations to citizens and creditors.

*Changes in Net Assets  
(In \$ millions)*

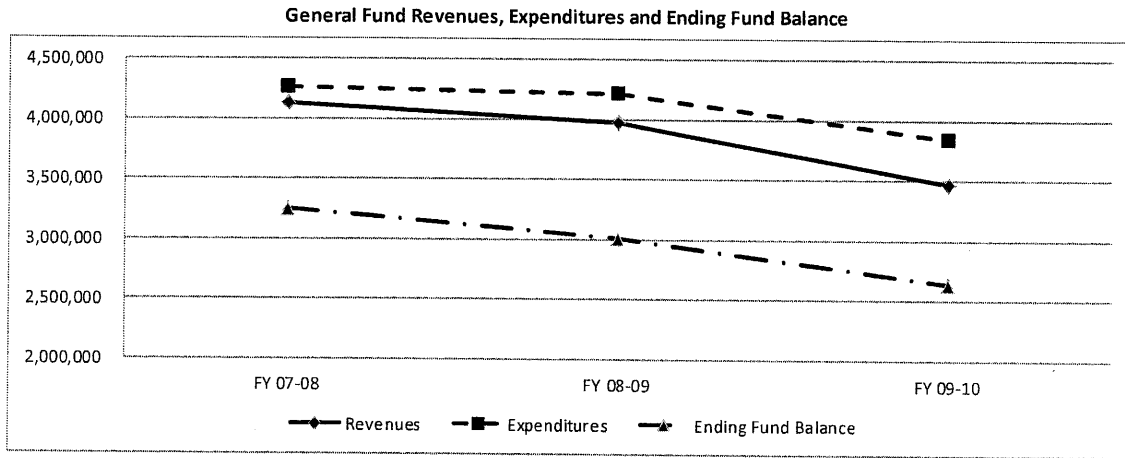
	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Program revenues						
Charges for services	\$ 0.60	\$ 0.66	\$ 5.61	\$ 5.66	\$ 6.21	\$ 6.32
Operating grants and contributions	0.69	1.08	-	-	0.69	1.08
Capital grants and contributions	0.16	0.12	-	-	0.16	0.12
General revenues						
Property taxes	1.39	1.50	-	-	1.39	1.50
Franchise taxes	0.70	0.77	-	-	0.70	0.77
Transient room taxes	0.07	0.08	-	-	0.07	0.08
Other grants and contributions	1.65	0.43	-	-	1.65	0.43
Investment earnings	0.16	0.25	0.04	0.15	0.20	0.40
Miscellaneous	0.45	0.51	0.80	0.19	1.24	0.70
Watershed logging	-	-	-	0.26	-	0.26
Gain on sale of equipment	(0.01)	0.19	-	-	(0.01)	0.19
<b>Total revenues</b>	<b>5.85</b>	<b>5.59</b>	<b>6.45</b>	<b>6.27</b>	<b>12.29</b>	<b>11.85</b>
Program expenses						
General government	0.70	0.90	-	-	0.70	0.90
Public safety	2.51	2.66	-	-	2.51	2.66
Highways and streets	0.91	0.73	-	-	0.91	0.73
Culture and recreation	1.15	1.03	-	-	1.15	1.03
Interest on long-term obligations	0.01	0.01	-	-	0.01	0.01
Water	-	-	3.73	3.83	3.73	3.83
Sewer	-	-	3.94	4.35	3.94	4.35
<b>Total program expenses</b>	<b>5.27</b>	<b>5.34</b>	<b>7.67</b>	<b>8.17</b>	<b>12.94</b>	<b>13.51</b>
Change in net assets	0.58	0.25	(1.22)	(1.91)	(0.65)	(1.66)
Net assets - beginning of year	20.72	20.48	26.97	28.88	47.70	49.36
Net assets - end of year	<u>\$ 21.30</u>	<u>\$ 20.72</u>	<u>\$ 25.75</u>	<u>\$ 26.97</u>	<u>\$ 47.05</u>	<u>\$ 47.70</u>

**Financial Analysis of the Government's Funds**

The focus of the City's governmental funds is to provide information on expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5.41 million. Approximately 68% of this amount constitutes unreserved and undesignated fund balance which is available for spending at the government's discretion. The remainder of fund balance \$1.72 million is designated to indicate that it is not available for new spending because of contractual or regulatory requirements that limit usage.

The direction of the City's financial position has weakened during the past year as the City continued to meet existing service levels. While program expenditures has continued to decline through the City's cost savings efforts, revenues also continue to decline at a similar pace.



The City's proprietary funds provide the same type of information as the business-type activities in the Government-wide financial statements. As of the end of the current fiscal year, the City's proprietary funds reported a combined unrestricted net asset balance of \$4.39 million. The unrestricted net assets declined by \$1.05 million. This reduction is mostly attributable to a combination of reduction in revenues due to loss of industrial base and deferment of watershed timber harvesting, and an increase in expenditures associated with capital outlays and debt service. The decline in the unrestricted net assets combined with the identified capital infrastructure replacement has resulted in projected multiyear rate increases.

### General Fund Budgetary Highlights

City Council and staff continue to work hard to moderate the effects of the 2008-09 recession and while maintaining existing service levels. The challenge is balancing the services desired by the public with available revenues. Responding to the declining reserves, operating expenditures were reduced approximately 13% in 2008-09 and an additional 9% in 2009-10. Unfortunately, corresponding reductions in revenues occurred that significantly offset much of the anticipated savings. Council has continued a hiring freeze and will be reassessing other expenditure reduction or revenue enhancement alternatives during the FY 2011-12 budget process. The City continues to maintain minimum operating reserves in excess of the 10% of the operating expenditures policy.

### Capital Asset and Debt Administration

**Capital Assets:** Investment in capital assets by the governmental and business-type activities as of June 30, 2010 was \$44.83 million net of accumulated depreciation. The investment in capital assets includes land, buildings, and system improvements, machinery and equipment and roads.

The major capital asset events during the current fiscal year were as follows:

- Governmental activities:
  - One Police Vehicle - \$17,000
  - Park Land Acquisition - \$10,000
  - Street Sweeper - \$159,570
  - Milton Creek Pedestrian Bridge -\$213,418
  - Senior Center Renovation - \$1,093,908

- Business-type activities
  - Elkridge Reservoir - \$16,278
  - Compressed Natural Gas Vehicle conversion - \$24,350
  - Kavanagh Street Sewer Improvement - \$46,026
  - Sanitary Sewer I/I Project - \$1,748,109
  - Sanitary Sewer Lateral Project - \$119,620
  - WWTP Headworks Design - \$82,616
  - Vehicles, Trailers and other equipment - \$105,855

Additional information on the City's capital assets may be found in Note 4 to the basic financial statements.

**Long-term Debt:** At the end of the current fiscal year, the City had total debt outstanding of \$11.23 million. Of this amount, \$.32 million is reported in the governmental activities and \$10.44 million is reported in the business-type activities. New debt of \$.77 million was incurred in this fiscal year for Sanitary/Storm Drain System. Additional information on the City's long-term debt may be found in Note 6 to the basic financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

During the preparation of the budget for the ensuing fiscal year, several major assumptions were used:

- Health premium costs would increase 8%
- Wages will increase 2% for all employees for the ensuing fiscal year
- Investment interest rates will be .5-1%
- Assessed values, the basis of property tax revenues, will grow by 3%
- Inflation will occur at 2%

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Jon Ellis  
 Finance Director/Budget Officer  
 City of St. Helens  
 P. O. Box 278  
 St. Helens, Or 97051  
 503-366-8227  
 jellis@ci.st-helens.or.us

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ST. HELENS**

**STATEMENT OF NET ASSETS**

**June 30, 2010**

	Governmental	Business-type	
	Activities	Activities	Totals
<b><u>ASSETS</u></b>			
Cash and investments	\$ 5,439,748	\$ 7,491,330	\$ 12,931,078
Receivables, net	650,483	1,441,943	2,092,426
Inventories	47,958	77,912	125,870
Internal balances	(16,254)	16,254	-
Capital assets:			
Land, improvements and construction in progress	8,382,375	5,370,098	13,752,473
Other capital assets, net	<u>7,563,296</u>	<u>23,512,811</u>	<u>31,076,107</u>
 TOTAL ASSETS	 <u>22,067,606</u>	 <u>37,910,348</u>	 <u>59,977,954</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued expenses	316,887	847,979	1,164,866
Accrued interest payable	6,505	269,145	275,650
Deposits payable	116,132	135,161	251,293
Long-term obligations:			
Due within one year	240,696	551,565	792,261
Due in more than one year	<u>82,242</u>	<u>10,358,991</u>	<u>10,441,233</u>
 TOTAL LIABILITIES	 <u>762,462</u>	 <u>12,162,841</u>	 <u>12,925,303</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	15,818,278	18,168,210	33,986,488
Restricted for:			
Capital outlay	1,671,179	2,978,339	4,649,518
Debt service	-	192,062	192,062
Unrestricted	<u>3,815,687</u>	<u>4,408,896</u>	<u>8,224,583</u>
 TOTAL NET ASSETS	 <u>\$ 21,305,144</u>	 <u>\$ 25,747,507</u>	 <u>\$ 47,052,651</u>

*See notes to basic financial statements*

CITY OF ST. HELENS

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	
<b>Governmental activities</b>							
General government	\$ 699,923	\$ 294,986	\$ 46,563	\$ -	\$ (358,374)		\$ (358,374)
Public safety	2,509,257	285,911	22,237	-	(2,201,109)		(2,201,109)
Highways and streets	909,137	-	621,292	143,190	(144,655)		(144,655)
Culture and recreation	1,145,818	19,447	2,156	15,534	(1,108,681)		(1,108,681)
Interest on long-term obligations	6,750	-	-	-	(6,750)		(6,750)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>5,270,885</b>	<b>600,344</b>	<b>692,248</b>	<b>158,724</b>	<b>(3,819,569)</b>		<b>(3,819,569)</b>
<b>Business-type activities</b>							
Water	3,728,097	2,037,830	-	-		\$ (1,690,267)	(1,690,267)
Sewer	3,943,129	3,572,471	-	-		(370,658)	(370,658)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>7,671,226</b>	<b>5,610,301</b>	<b>-</b>	<b>-</b>		<b>(2,060,925)</b>	<b>(2,060,925)</b>
<b>Totals</b>	<b>\$ 12,942,111</b>	<b>\$ 6,210,645</b>	<b>\$ 692,248</b>	<b>\$ 158,724</b>	<b>(3,819,569)</b>	<b>(2,060,925)</b>	<b>(5,880,494)</b>
<b>General revenues:</b>							
Property taxes levied for general purposes					1,385,690	-	1,385,690
Franchise taxes					698,077	-	698,077
Transient room taxes					71,667	-	71,667
Grants and contributions not restricted to specific purposes					1,646,003	-	1,646,003
Unrestricted investment earnings					159,440	39,060	198,500
Miscellaneous					447,209	797,615	1,244,824
(Loss) on sale of capital assets					(7,591)	-	(7,591)
<b>TOTAL GENERAL REVENUES</b>					<b>4,400,495</b>	<b>836,675</b>	<b>5,237,170</b>
<b>CHANGE IN NET ASSETS</b>					<b>580,926</b>	<b>(1,224,250)</b>	<b>(643,324)</b>
<b>NET ASSETS - BEGINNING</b>					<b>20,724,218</b>	<b>26,971,757</b>	<b>47,695,975</b>
<b>NET ASSETS - ENDING</b>					<b>\$ 21,305,144</b>	<b>\$ 25,747,507</b>	<b>\$ 47,052,651</b>

See notes to basic financial statements



CITY OF ST. HELENS

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	General	State Tax	Street	Community Development	Other Governmental Funds	Totals
<b>ASSETS</b>						
Cash and investments	\$ 2,728,689	\$ 1,893,859	\$ 50,095	\$ 767,105	\$ 5,439,748	
Receivables, net	501,475	32,992	94,250	21,766	650,483	
Inventories	-	47,958	-	-	47,958	
<b>TOTAL ASSETS</b>	<b>\$ 3,230,164</b>	<b>\$ 1,974,809</b>	<b>\$ 144,345</b>	<b>\$ 788,871</b>	<b>\$ 6,138,189</b>	
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 268,694	\$ 3,365	\$ 29,828	\$ 15,000	\$ 316,887	
Deposits	116,132	-	-	-	116,132	
Deferred revenue	204,398	-	80,932	-	285,330	
<b>TOTAL LIABILITIES</b>	<b>589,224</b>	<b>3,365</b>	<b>110,760</b>	<b>15,000</b>	<b>718,349</b>	
<b>FUND BALANCE</b>						
Reserved for inventories	-	47,958	-	-	47,958	
Unreserved, designated for:						
Capital projects	252,417	1,418,762	-	-	1,671,179	
Unreserved, undesignated, reported in:						
General fund	2,388,523	-	-	-	2,388,523	
Special revenue funds	-	504,724	33,585	423,871	962,180	
Capital projects fund	-	-	-	350,000	350,000	
<b>TOTAL FUND BALANCE</b>	<b>2,640,940</b>	<b>1,971,444</b>	<b>33,585</b>	<b>773,871</b>	<b>5,419,840</b>	
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 3,230,164</b>	<b>\$ 1,974,809</b>	<b>\$ 144,345</b>	<b>\$ 788,871</b>		
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						15,945,671
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:						
Property taxes earned but not available				\$ 111,378		
Fines and other receivables earned but not available				173,952		285,330
Internal balances result from transactions between the governmental activities, business-type activities and internal service funds.						(16,254)
Accrued interest is not due and payable in the current period and therefore are not reported in the funds.						(6,505)
Long-term obligations, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.						(322,938)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>						<b>\$ 21,305,144</b>

See notes to basic financial statements

CITY OF ST. HELENS

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2010

	General	State Tax Street	Community Development	Other Governmental Funds	Totals
<b>REVENUES</b>					
Property taxes	\$ 1,375,599	\$ -	\$ -	\$ -	\$ 1,375,599
System development charges	15,534	87,962	-	-	103,496
Franchise fees	698,077	-	-	-	698,077
Licenses, permits and fees	139,942	-	-	119,855	259,797
Fines and forfeitures	258,136	-	-	-	258,136
Transient room tax	-	-	-	72,673	72,673
Intergovernmental	392,064	621,292	1,208,425	157,096	2,378,877
Interest	155,766	1,268	-	2,406	159,440
Miscellaneous	425,208	13,194	42,416	715	481,533
<b>TOTAL REVENUES</b>	<u>3,460,326</u>	<u>723,716</u>	<u>1,250,841</u>	<u>352,745</u>	<u>5,787,628</u>
<b>EXPENDITURES</b>					
Current:					
General government	578,745	-	-	120,149	698,894
Public safety	2,401,065	-	-	62,357	2,463,422
Highways and streets	-	632,867	-	-	632,867
Culture and recreation	776,848	-	42,416	206,663	1,025,927
Debt service	51,839	-	-	-	51,839
Capital outlay	17,572	372,988	1,093,908	-	1,484,468
<b>TOTAL EXPENDITURES</b>	<u>3,826,069</u>	<u>1,005,855</u>	<u>1,136,324</u>	<u>389,169</u>	<u>6,357,417</u>
Excess (deficiency) of revenues over expenditures	<u>(365,743)</u>	<u>(282,139)</u>	<u>114,517</u>	<u>(36,424)</u>	<u>(569,789)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,406	-	-	10,422	12,828
Transfers out	(10,422)	-	-	(2,406)	(12,828)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(8,016)</u>	<u>-</u>	<u>-</u>	<u>8,016</u>	<u>-</u>
Net change in fund balances	(373,759)	(282,139)	114,517	(28,408)	(569,789)
Fund balances at beginning of year	3,014,699	2,253,583	(80,932)	802,279	5,989,629
Fund balances at end of year	<u>\$ 2,640,940</u>	<u>\$ 1,971,444</u>	<u>\$ 33,585</u>	<u>\$ 773,871</u>	<u>\$ 5,419,840</u>

CITY OF ST. HELENS

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (569,789)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between these two amounts is:

Capital outlay	\$ 1,493,893	
Depreciation	<u>(397,228)</u>	1,096,665

Other adjustments and reclassifications of capital assets decrease net assets of governmental activities (7,591)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds as follows:

Taxes	10,091	
Fines, forfeitures and grants	<u>6,455</u>	16,546

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net assets

Principal payments		42,899
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest	2,190	
Compensated absences	<u>12,091</u>	14,281

Internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The net revenue (expense) of the internal service fund is allocated between governmental and business-type activities.

(12,085)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 580,926

**CITY OF ST. HELENS**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2010**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,530,282	\$ 1,530,282	\$ 1,375,599	\$ (154,683)
System development charges	20,000	20,000	15,534	(4,466)
Franchise fees	775,994	775,994	698,077	(77,917)
Licenses and permits	128,550	128,550	139,942	11,392
Fines and forfeitures	278,000	278,000	258,136	(19,864)
Assessments	20,000	20,000	-	(20,000)
Intergovernmental	236,040	236,040	392,064	156,024
Interest	162,833	162,833	155,766	(7,067)
Miscellaneous				
Other	113,240	113,240	105,656	(7,584)
In lieu of franchise fees	336,975	336,975	319,552	(17,423)
<b>TOTAL REVENUES</b>	<u>3,601,914</u>	<u>3,601,914</u>	<u>3,460,326</u>	<u>(141,588)</u>
<b>EXPENDITURES</b>				
Administration				
Personal services	504,503	504,503	488,738	15,765
Materials and services	149,723	149,723	90,007	59,716
Total administration	<u>654,226</u>	<u>654,226</u>	<u>578,745</u>	<u>75,481</u>
Police				
Personal services	2,180,224	2,180,224	2,087,847	92,377
Materials and services	286,350	286,350	296,218	(9,868)
Total police	<u>2,466,574</u>	<u>2,466,574</u>	<u>2,384,065</u>	<u>82,509</u>

*See notes to basic financial statements  
Continued on page 7*

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)**

EXPENDITURES (continued)	Budget		Actual	Variance
	Original	Final		
Library				
Personal services	\$ 330,913	\$ 330,913	\$ 313,365	\$ 17,548
Materials and services	159,161	159,161	145,762	13,399
Total library	490,074	490,074	459,127	30,947
Parks				
Personal services	110,562	110,562	85,504	4,743
Materials and services	311,312	311,312	232,217	79,095
Debt service	51,840	51,840	51,839	1
Total parks	473,714	473,714	369,560	83,839
Capital outlay	51,939	68,939	34,572	34,367
Contingency	774,159	757,159	-	757,159
<b>TOTAL EXPENDITURES</b>	<b>4,910,686</b>	<b>4,910,686</b>	<b>3,826,069</b>	<b>1,064,302</b>
Excess (deficiency) of revenues over expenditures	(1,308,772)	(1,308,772)	(365,743)	922,714
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	500	500	-	(500)
Transfers in	10,000	10,000	2,406	(7,594)
Transfers out	(42,000)	(42,000)	(10,422)	31,578
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(31,500)</b>	<b>(31,500)</b>	<b>(8,016)</b>	<b>23,484</b>
Net change in fund balance	(1,340,272)	(1,340,272)	(373,759)	966,513
Fund balance at beginning of year	1,340,272	1,340,272	3,014,699	1,674,427
Fund balance at end of year	\$ -	\$ -	\$ 2,640,940	\$ 2,640,940

*See notes to basic financial statements*

CITY OF ST. HELENS

STATE TAX STREET - SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2010

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ 65,000	\$ 65,000	\$ 87,962	\$ 22,962
Intergovernmental	1,322,372	1,322,372	621,292	(701,080)
Interest	4,500	4,500	1,268	(3,232)
Miscellaneous	1,000	1,000	13,194	12,194
<b>TOTAL REVENUES</b>	<u>1,392,872</u>	<u>1,392,872</u>	<u>723,716</u>	<u>(669,156)</u>
<b>EXPENDITURES</b>				
Personal services	184,152	184,152	178,617	5,535
Materials and services	1,401,151	1,143,151	454,250	688,901
Capital outlay	115,000	373,000	372,988	12
Operating contingencies	75,000	75,000	-	75,000
<b>TOTAL EXPENDITURES</b>	<u>1,775,303</u>	<u>1,775,303</u>	<u>1,005,855</u>	<u>769,448</u>
Net change in fund balance	(382,431)	(382,431)	(282,139)	100,292
Fund balance at beginning of year	<u>382,431</u>	<u>382,431</u>	<u>2,253,583</u>	<u>1,871,152</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,971,444</u>	<u>\$ 1,971,444</u>

See notes to basic financial statements

**CITY OF ST. HELENS**

**COMMUNITY DEVELOPMENT - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2010**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 1,200,000	\$ 1,208,425	\$ 8,425
Miscellaneous	<u>56,822</u>	<u>42,416</u>	<u>(14,406)</u>
<b>TOTAL REVENUES</b>	<u>1,256,822</u>	<u>1,250,841</u>	<u>(5,981)</u>
<b>EXPENDITURES</b>			
Materials and services	56,822	42,416	14,406
Capital outlay	<u>1,200,000</u>	<u>1,093,908</u>	<u>106,092</u>
<b>TOTAL EXPENDITURES</b>	<u>1,256,822</u>	<u>1,136,324</u>	<u>120,498</u>
Net change in fund balance	-	114,517	114,517
Fund balance at beginning of year	<u>-</u>	<u>(80,932)</u>	<u>(80,932)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 33,585</u>	<u>\$ 33,585</u>

CITY OF ST. HELENS

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2010

	Enterprise			Business-type Activities
	Water	Sewer	Totals	Internal Service Fund
<b>ASSETS</b>				
CURRENT ASSETS				
Cash and investments	\$ 3,844,733	\$ 3,643,664	\$ 7,488,397	\$ 2,933
Receivables	345,831	1,096,112	1,441,943	-
Inventories	53,163	15,201	68,364	9,548
Total current assets	4,243,727	4,754,977	8,998,704	12,481
Capital assets:				
Land, improvements and construction in progress	956,371	4,413,727	5,370,098	-
Other capital assets, net	16,592,966	6,808,684	23,401,650	111,161
TOTAL ASSETS	21,793,064	15,977,388	37,770,452	123,642
<b>LIABILITIES</b>				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	44,134	798,847	842,981	4,998
Accrued interest payable	151,921	117,224	269,145	-
Deposits payable	135,161	-	135,161	-
Accumulated unpaid vacation	80,118	115,739	195,857	-
Current portion of long-term obligations	282,292	73,416	355,708	-
Total current liabilities	693,626	1,105,226	1,798,852	4,998
Long-term obligations	6,599,896	3,759,095	10,358,991	-
TOTAL LIABILITIES	7,293,522	4,864,321	12,157,843	4,998
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	10,667,149	7,389,900	18,057,049	111,161
Restricted for:				
Capital projects	296,983	2,681,356	2,978,339	-
Debt service	-	192,062	192,062	-
Unrestricted	3,535,410	849,749	4,385,159	7,483
TOTAL NET ASSETS	\$ 14,499,542	\$ 11,113,067	25,612,609	\$ 118,644

Amounts reported for business-type activities in the Statement of Net Assets are different because:

Internal service funds are used by management to charge the cost of fleet maintenance to individual funds. The assets and liabilities of the internal service fund have been included in business-type activities in the statement of net assets as it provides services predominately to the enterprise funds.

118,644

Internal balances result from transactions between the governmental activities, business-type activities and internal service funds

16,254

NET ASSETS OF BUSINESS-TYPE ACTIVITIES

\$ 25,747,507



CITY OF ST. HELENS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2010

	Enterprise		Totals	Business-type
	Water	Sewer		Internal Service
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,971,356	\$ 3,473,060	\$ 5,444,416	\$ 220,913
<b>OPERATING EXPENSES</b>				
Personal services	1,342,207	1,935,065	3,277,272	170,992
Materials and services	1,184,454	1,478,876	2,663,330	86,191
Depreciation	767,673	356,278	1,123,951	12,312
TOTAL OPERATING EXPENSES	3,294,334	3,770,219	7,064,553	269,495
OPERATING (LOSS)	(1,322,978)	(297,159)	(1,620,137)	(48,582)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earned on investments	25,220	13,840	39,060	-
Miscellaneous	110,270	687,345	797,615	200
Watershed logging	(12,604)	-	(12,604)	-
Interest	(340,140)	(51,747)	(391,887)	-
Total nonoperating revenues (expenses)	(217,254)	649,438	432,184	200
Change in net assets	(1,540,232)	352,279	(1,187,953)	(48,382)
Net assets at beginning of year	16,039,774	10,760,788		167,026
Net assets at end of year	\$14,499,542	\$ 11,113,067		\$ 118,644
<i>Amounts reported for business-type activities in the Statement of Net Assets are different because of the following:</i>				
A portion of the net revenue (expense) of the internal service fund is allocable to business-type activities			(36,297)	
<b>CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>			<u>\$ (1,224,250)</u>	

**CITY OF ST. HELENS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2010**

	Enterprise		Totals	Business- type Activities
	Water	Sewer		Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 2,101,650	\$ 3,600,584	\$ 5,702,234	\$ -
Receipts from interfund services provided	-	-	-	220,132
Payments for interfund services used	(66,274)	(99,411)	(165,685)	-
Payments to suppliers	(1,277,579)	(982,010)	(2,259,589)	(90,116)
Payments to employees	(1,332,839)	(1,925,451)	(3,258,290)	(170,992)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>(575,042)</u>	<u>593,712</u>	<u>18,670</u>	<u>(40,976)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from long-term obligations	-	2,228,658	2,228,658	-
Acquisition of capital assets	(113,017)	(2,572,330)	(2,685,347)	-
Principal paid on long-term obligations	(279,881)	(81,781)	(361,662)	-
Interest paid on long-term obligations	(272,488)	(12,582)	(285,070)	-
<b>NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(665,386)</u>	<u>(438,035)</u>	<u>(1,103,421)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Watershed logging - net	(12,604)	-	(12,604)	-
Interest on investments	25,220	13,840	39,060	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>12,616</u>	<u>13,840</u>	<u>26,456</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,227,812)	169,517	(1,058,295)	(40,976)
Cash and cash equivalents - beginning of year	5,072,545	3,474,147	8,546,692	43,909
Cash and cash equivalents- end of year	<u>\$ 3,844,733</u>	<u>\$ 3,643,664</u>	<u>\$ 7,488,397</u>	<u>\$ 2,933</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating (loss)	\$ (1,322,978)	\$ (297,159)	\$ (1,620,137)	\$ (48,582)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities				
Depreciation	767,673	356,278	1,123,951	12,312
Miscellaneous	110,270	687,343	797,613	200
Decrease (increase) in assets				
Receivables	22,530	(559,819)	(537,289)	-
Prepaid	9,188	11,045	20,233	-
Inventories	11,748	(308)	11,440	(981)
Increase (decrease) in liabilities				
Accounts payable and accrued expenses	(180,335)	386,718	206,383	(3,925)
Deposits payable	(2,506)	-	(2,506)	-
Accumulated unpaid vacation	9,368	9,614	18,982	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ (575,042)</u>	<u>\$ 593,712</u>	<u>\$ 18,670</u>	<u>\$ (40,976)</u>

*See notes to basic financial statements*

# CITY OF ST. HELENS

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

### 1. Summary of significant accounting policies

#### A. Organization

The City was chartered in 1889 through an act of the state legislature. In 1903, the City became the Columbia County seat.

Control of the City is vested in its mayor and council members who are elected to office by voters within the City. Administrative functions are delegated to individuals who report to and are responsible to the mayor and council. The chief administrative officer is the City administrator.

The accompanying financial statements present all activities and funds for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government and fiscal dependency on the primary government. Based upon the evaluation of this criteria, the City is a primary government with no includable component units.

#### B. Government-wide and fund financial statements

The financial statements of the **CITY OF ST. HELENS** have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting standards.

The basic financial statements include both government-wide and fund based financial statements. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### B. Government-wide and fund financial statements (continued)

The statement of activities presents a comparison between direct expenses and program revenues for the City's programs. Direct expenses are those that are clearly allocable with a specific function or segment. The City does not allocate indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary funds financial statements are reported using the economic resources measurement focus and 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. Nonexchange 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. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The government-wide statements and proprietary funds have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. The City has elected not to follow FASB pronouncements issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within thirty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have been incurred. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt are reported as other financing sources.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

#### ***Fund Financial Statements***

The fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

The City reports the following major governmental funds:

- *General* - accounts for the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenue are property taxes, fees, licenses and state apportionments.
- *State Tax Street* - accounts for the City's street and highway maintenance. Principal sources of revenue are motor vehicle fuel taxes.
- *Community Development* - accounts for the City's Community Block Grant funds.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### C. Measurement Focus and Basis of Accounting (continued)

##### *Fund Financial Statements (continued)*

The City reports the following major proprietary funds:

- *Water* - accounts for the water system operations. This fund is predominantly self-supported through user charges to customers.
- *Sewer* - accounts for the sewer system operations. This fund is predominantly self-supported through user charges to customers.

The City also includes the following fund types as other governmental funds

*Special revenue* - accounts for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

*Capital projects* - accounts for expenditures on major construction projects or equipment acquisition. The principal sources are proceeds from long-term obligations issued to finance capital acquisitions and improvements.

*Internal service* - accounts for services provided to other departments within the city that benefit from the fund's services.

#### D. Budget policies and budgetary control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City adopts the budget, makes appropriations, and declares the tax levy no later than June 30.

Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### D. Budget policies and budgetary control (continued)

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The City establishes levels of budgetary control at personal services, materials and services, capital outlay, operating contingencies, and debt service for all funds, except the General Fund, where budgetary control is established at the department level.

Budget amounts shown in the basic financial statements have been revised since the original budget amounts were adopted. The City must authorize all appropriation transfers and supplementary budgetary appropriations.

#### E. Use of estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

#### F. Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts and any highly-liquid debt instruments.

#### G. Receivables

Property taxes are assessed and become a lien on all taxable property as of July 1. Property taxes are levied on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Property taxes receivable collected within 60 days subsequent to year-end are considered measurable and available, and are recognized as revenues. All other property taxes receivable are offset by deferred revenue because they are not deemed available to finance operations of the current period.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### G. Receivables (continued)

Assessment liens receivable in the General fund are recorded as receivables at the time property owners are assessed for property improvements. The unpaid liens and related interest receivable are offset by deferred revenue and, accordingly, have not been recorded as revenue.

Receivables for federal and state grants, and state, county, and local shared revenue are recorded as revenue in all fund types as earned. No allowance for doubtful accounts is necessary.

Receivables of the Proprietary Funds are recorded as revenue as earned. The allowance for doubtful accounts is established on a specific identification basis.

#### H. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventories consist of expendable supplies held for consumption.

#### I. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than five years. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net assets and is provided on the straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	25-40
Improvements other than buildings	20-30
Machinery and equipment	5-20
Vehicles	5-15
Infrastructure	25-50

Depreciation is taken in the year the assets are acquired or retired based upon the number of months held. Gains or losses from sales or retirements of capital assets are included in operations of the current period.



## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### J. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financing uses.

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

#### K. Compensated absences

##### 1. *Sick leave*

The City has a policy which permits full-time employees to accumulate unused sick leave at the rate of one day per month up to a maximum of 120 days.

Sick leave, which does not vest, is recognized in funds when leave is taken.

##### 2. *Vacation leave*

Each employee earns vacation at rates determined by their length of employment. An employee can accumulate a maximum of 600 hours.

Accumulated vested vacation leave is accrued as it is earned. For governmental funds, the non-current portion (the amount estimated to be used in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. Only the current portion is reported in the governmental funds, and is calculated based on historical trends. In business-type/enterprise funds, both the current and long-term liabilities are recorded

### 2. Deposits and investments

The City maintains a pool of cash and investments that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**2. Deposits and investments (continued)**

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any City, political subdivision or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

*Credit risk:* Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

As of June 30, 2010, the City had the following investments:

	<u>Moody's Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	N/A	N/A	\$ 2,429,372 *
US Bancorp	AA2	7/29/10	2,902,797 *
General Electric Cap Corp	AA2	9/13/10	457,886 *
General Electric Cap Corp	AA3	2/22/11	978,708 *
Merck & Co Inc	AA2	6/30/11	<u>1,009,098 *</u>
			<u>\$ 7,777,861</u>

\* Represents 5 percent or more of total investments

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Deposits and investments (continued)

*Interest Rate Risk:* The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

*Concentration of Credit Risk:* The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer.

*Custodial Credit Risk – Investments:* This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy which limits the amount of investments that can be held by counterparties.

*Custodial Credit Risk – Deposits:* This is the risk that, in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2010, \$4,776,964 of the City's bank balances were exposed to custodial credit risk as they were collateralized with securities held by the pledging financial institution's agent but not in the City's name

A. The City's deposits and investments at June 30, 2010 are as follows:

Total investments	\$ 7,777,861
Cash on hand	1,525
Deposits with financial institutions	<u>5,151,692</u>
Total deposits and investments	<u>\$ 12,931,078</u>

B. Cash and investments by fund:

Governmental activities/funds

General	\$ 2,728,689
State Tax Street	1,893,859
Community Development	50,095
Other governmental funds	<u>767,105</u>

Total governmental activities/funds 5,439,748

Business-type activities

Enterprise funds

Water	3,844,733
Sewer	<u>3,643,664</u>

Total enterprise funds 7,488,397

Internal service 2,933

Total business-type activities 7,491,330

Total cash and investments \$ 12,931,078

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**3. Receivables**

A. The City's receivables at June 30, 2010 are shown below:

	State		Community	Other		Business-type Activities		Totals
	General	Tax Street		Development	Governmental Funds	Water	Sewer	
Accounts	\$ 181,231	\$27,992	\$ 84,272	\$ -	\$339,322	\$ 645,583	\$1,278,400	
Grants	3,428	5,000	9,978	21,766	-	-	40,172	
Property assessments	4,474	-	-	-	-	448,279	452,753	
Property taxes	144,572	-	-	-	-	-	144,572	
Interest	74,750	-	-	-	5,669	-	80,419	
Other	-	-	-	-	840	2,250	3,090	
Fines	1,860,397	-	-	-	-	-	1,860,397	
Allowance for doubtful accounts	<u>(1,767,377)</u>	-	-	-	-	-	<u>(1,767,377)</u>	
	<u>\$ 501,475</u>	<u>\$32,992</u>	<u>\$ 94,250</u>	<u>\$ 21,766</u>	<u>\$345,831</u>	<u>\$1,096,112</u>	<u>\$2,092,426</u>	

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**3. Receivables (continued)**

B. Property taxes

i. Collection procedures

Taxes are levied on July 1 and are payable in three installments due November 15, February 15 and May 15. Columbia County bills and collects property taxes for the City.

ii. Transactions

	Balances July 1, 2009	2009-2010 Levy	Adjustments	Net Interest (Discounts)	Collections	Balances June 30, 2010
Current	\$ -	\$ 1,508,288	\$ (29,930)	\$ (36,406)	\$ 1,366,345	\$ 75,607
Prior	<u>130,968</u>	<u>-</u>	<u>(35,933)</u>	<u>(20,340)</u>	<u>5,730</u>	<u>68,965</u>
	<u>\$ 130,968</u>	<u>\$ 1,508,288</u>	<u>\$ (65,863)</u>	<u>\$ (56,746)</u>	<u>\$ 1,372,075</u>	<u>\$ 144,572</u>

Collections received with sixty days of year end in the prior year (29,664)  
 Collections received with sixty days of year end in the current year 33,188

\$ 1,375,599

iii. Ensuing year's levy

The permanent tax rate is \$1.9078 per \$1,000 assessed value as limited by the Constitution of the State of Oregon.

The tax rate limit of \$10.00 per thousand of assessed value imposed by the Oregon Constitution is not expected to affect this levy.

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**4. Capital assets**

A. Transactions for the year ended June 30, 2010 of the governmental activities were as follows:

	July 01, 2009	Additions	Deletions	Adjustments and Reclassifi- cations	June 30, 2010
Capital assets not being depreciated					
Land	\$ 1,815,771	\$ 10,000	\$ -	\$ -	\$ 1,825,771
Right of way	5,259,111	-	-	-	5,259,111
Library collection	1,297,493	-	-	-	1,297,493
Construction in progress	171,713	-	-	(171,713)	-
Total capital assets not being depreciated	8,544,088	10,000	-	(171,713)	8,382,375
Capital assets being depreciated					
Buildings and improvements	3,357,412	1,093,907	-	-	4,451,319
Equipment	1,488,559	176,569	(113,409)	-	1,551,719
Infrastructure	4,938,563	213,417	-	171,713	5,323,693
Total capital assets being depreciated	9,784,534	1,483,893	(113,409)	171,713	11,326,731
Less accumulated depreciation for					
Buildings and improvements	1,843,417	112,081	-	-	1,955,498
Equipment	852,538	129,649	(105,818)	-	876,369
Infrastructure	776,070	155,498	-	-	931,568
Total accumulated depreciation	3,472,025	397,228	(105,818)	-	3,763,435
Total capital assets being depreciated, net	6,312,509	1,086,665	(7,591)	171,713	7,563,296
Governmental activities capital assets, net	\$ 14,856,597	\$ 1,096,665	\$ (7,591)	\$ -	\$ 15,945,671

B. Depreciation expense for governmental activities is charged to functions/programs as follows:

General government	\$ 3,946
Public safety	70,268
Highways and streets	208,528
Culture and recreation	<u>114,486</u>
Total governmental activities depreciation expense	<u>\$ 397,228</u>

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**4. Capital assets (continued)**

C. Transactions for the year ended June 30, 2010 of the business-type activities were as follows:

	July 1, 2009	Additions	Deletions	Adjustments and Reclassifi- cations	June 30, 2010
Capital assets not being depreciated					
Land	\$ 1,006,535	\$ -	\$ -	\$ -	\$ 1,006,535
Construction in progress	3,408,686	2,435,623	-	(1,480,746)	4,363,563
Total capital assets not being depreciated	4,415,221	2,435,623	-	(1,480,746)	5,370,098
Capital assets being depreciated					
Buildings and improvements	20,262,550	46,026	-	-	20,308,576
Equipment	5,717,312	146,480	(18,900)	-	5,844,892
Infrastructure	12,343,717	-	-	1,480,746	13,824,463
Total capital assets being depreciated	38,323,579	192,506	(18,900)	1,480,746	39,977,931
Less accumulated depreciation					
Buildings and improvements	5,769,758	634,592	-	-	6,404,350
Equipment	2,857,903	266,088	(18,900)	-	3,105,091
Infrastructure	6,720,096	235,583	-	-	6,955,679
Total accumulated depreciation	15,347,757	1,136,263	(18,900)	-	16,465,120
Total capital assets being depreciated, net	22,975,822	(943,757)	-	1,480,746	23,512,811
Business-type activities capital assets, net	\$ 27,391,043	\$ 1,491,866	\$ -	\$ -	\$ 28,882,909

D. Depreciation expense for business-type activities is charged to functions/programs as follows:

Water	\$ 767,673
Sewer	356,278
Depreciation charged to internal service fund	<u>12,312</u>
Total business-type activities depreciation expense	<u>\$1,136,263</u>

**5. Deferred revenue**

Resources owned by the City, which are measurable but not available and, therefore are deferred in the fund financial statements, consist of the following:

	Governmental Funds		Totals
	General	Other Governmental Funds	
Property taxes	\$ 111,378	\$ -	\$ 111,378
Accounts	-	80,932	80,932
Fines - net of allowance for doubtful accounts	93,020	-	93,020
	<u>\$ 204,398</u>	<u>\$ 80,932</u>	<u>\$ 285,330</u>

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**6. Long-term obligations**

A. Transactions for the year ended June 30, 2010 of the governmental activities were as follows:

	Balances July 1, 2009	Additions	Reductions	Balances June 30, 2010	Balances Due Within One Year
<u>Notes:</u>					
Dahlgren land sale contract, interest at 5.25 percent, secured by a deed or trust on land					
Principal	\$ 170,292	\$ -	\$ 42,899	\$ 127,393	\$ 45,151
Interest	8,695	6,750	8,940	6,505	
	<u>178,987</u>	<u>6,750</u>	<u>51,839</u>	<u>133,898</u>	
<u>Accumulated unpaid vacation</u>					
The City's full-time employees earn vacation at rates determined by their length their length of employment, but must use their vacation within 18 months after it is earned					
	207,636	195,545	207,636	195,545	195,545
Total governmental activities long-term obligations	386,623	202,295	259,475	329,443	<u>\$ 240,696</u>
Accrued interest	8,695	6,750	8,940	6,505	
Principal	<u>\$ 377,928</u>	<u>\$ 195,545</u>	<u>\$ 250,535</u>	<u>\$ 322,938</u>	

B. Transactions for the year ended June 30, 2010 of the business-type activities were as follows:

	Balances July 1, 2009	Additions	Reductions	Balances June 30, 2010	Balances Due Within One Year
<u>Loans:</u>					
Oregon Economic and Community Development Department, reference L89007 - due in 20 equal annual installments of \$33,419, including 5 percent interest, original amount \$424,930, water and sewer revenues pledged					
Principal	\$ 19,269	\$ -	\$ 19,269	\$ -	
Interest	923	-	923	-	
	<u>20,192</u>	<u>-</u>	<u>20,192</u>	<u>-</u>	
State of Oregon Department of Environmental Quality, due in 39 equal semi-annual installments of \$41,659.36, including 3 percent interest. Original amount authorized \$1,200,000, net operating revenues of sewer system pledged					
Principal	419,556	-	71,262	348,294	\$ 73,416
Interest	4,139	11,353	12,056	3,436	
	<u>423,695</u>	<u>11,353</u>	<u>83,318</u>	<u>351,730</u>	



**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**6. Long-term obligations (continued)**

B. Transactions for the year ended June 30, 2010 of the business-type activities were as follows (continued):

<u>Loans: (continued)</u>	<u>Balances</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>June 30, 2010</u>	<u>Balances</u> <u>Due Within</u> <u>One Year</u>
Oregon Economic and Community Development Department, reference G04004, due in 25 annual installments, beginning December 1, 2005, including 3.0 to 4.50 percent interest, maximum amount of loan authorized \$4,000,000, net operating revenues of water system pledged					
Principal	\$ 3,591,452	\$ -	\$ 114,655	\$ 3,476,797	\$ 120,293
Interest	84,584	144,162	146,317	82,429	
	<u>3,676,036</u>	<u>144,162</u>	<u>260,972</u>	<u>3,559,226</u>	
Oregon Economic and Community Development Department, reference S04004, due in 20 annual installments, beginning December 1, 2006, including 3.53 percent interest, maximum amount of loan authorized \$4,000,000, net operating revenues of water system pledged					
Principal	3,561,866	-	156,476	3,405,390	161,999
Interest	72,684	122,542	125,734	69,492	
	<u>3,634,550</u>	<u>122,542</u>	<u>282,210</u>	<u>3,474,882</u>	
State of Oregon Department of Environmental Quality, due in 30 semi-annual installments from date of project completion, including 2.69 percent interest. Maximum amount authorized \$2,053,000, net operating revenues of sewer system pledged					
Principal	1,255,560	765,606	-	2,021,166	-
Interest	-	113,788	-	113,788	
	<u>1,255,560</u>	<u>879,394</u>	<u>-</u>	<u>2,134,954</u>	
State of Oregon Department of Environmental Quality, due in 30 semi-annual installments from date of project completion, including 2.69 percent interest. Maximum amount authorized \$4,000,000, net operating revenues of sewer system pledged					
Principal	-	1,350,792	-	1,350,792	-
State of Oregon Department of Environmental Quality, due in 10 semi-annual installments from date of project completion, including 1.25 percent interest. Maximum amount authorized \$550,000, net operating revenues of sewer system pledged					
Principal	-	112,260	-	112,260	-
<u>Accumulated unpaid vacation</u>	<u>176,875</u>	<u>195,857</u>	<u>176,875</u>	<u>195,857</u>	<u>195,857</u>
Total business-type activities long-term obligations	9,186,908	2,816,360	823,567	11,179,701	\$ 551,565
Accrued interest	<u>162,330</u>	<u>391,845</u>	<u>285,030</u>	<u>269,145</u>	
Principal	<u>\$ 9,024,578</u>	<u>\$ 2,424,515</u>	<u>\$ 538,537</u>	<u>\$ 10,910,556</u>	

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**6. Long-term obligations (continued)**

C. Future maturities for governmental activity long-term obligations outstanding as of June 30, 2010 are as follows:

Fiscal Year	Dahlgren Land Sale Contract		Accumulated Unpaid Vacation	Totals	
	Principal	Interest		Principal	Interest
2011	\$ 45,151	\$ 6,688	\$ 195,545	\$ 240,696	\$ 6,688
2012	47,522	4,318	-	47,522	4,318
2013	34,720	1,020	-	34,720	1,020
	<u>\$ 127,393</u>	<u>\$ 12,026</u>	<u>\$ 195,545</u>	<u>\$ 322,938</u>	<u>\$ 12,026</u>

D. Future maturities for business-type activity long-term obligations outstanding as of June 30, 2010 are as follows.

Fiscal Year	Loans							
	State of Oregon DEQ		OECD, ref. G04004		OECD, ref. S04004		State of Oregon DEQ ref. R80161	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 73,416	\$ 9,902	\$ 120,293	\$ 142,591	\$ 161,999	\$ 120,210	\$ -	\$ 113,788
2012	75,636	7,683	120,953	138,681	167,717	114,492	117,487	54,441
2013	77,922	5,397	126,686	134,448	173,638	108,571	120,669	51,259
2014	80,277	3,042	132,445	130,014	179,767	102,442	123,936	47,991
2015	41,043	616	138,231	125,378	186,113	96,096	127,293	44,635
2016-20	-	-	759,653	547,168	1,033,873	377,171	690,077	169,562
2021-25	-	-	927,895	381,637	1,229,697	181,347	788,716	70,922
2026-30	-	-	1,150,641	160,161	272,586	9,622	52,988	1,142
	<u>\$ 348,294</u>	<u>\$ 26,640</u>	<u>\$ 3,476,797</u>	<u>\$ 1,760,078</u>	<u>\$ 3,405,390</u>	<u>\$ 1,109,951</u>	<u>\$ 2,021,166</u>	<u>\$ 553,740</u>

Fiscal Year	Loans				Accumulated Unpaid Vacation	Totals	
	State of Oregon DEQ ref. R06801		State of Oregon DEQ ref. R80162			Principal	Interest
	Principal	Interest	Principal	Interest			
2011	\$ -	\$ -	\$ -	\$ -	\$ 195,857	\$ 551,565	\$ 386,491
2012	74,151	36,000	21,899	1,333	-	577,843	352,630
2013	76,128	34,023	22,169	1,063	-	597,212	334,761
2014	78,201	31,950	22,447	785	-	617,073	316,224
2015	80,331	29,820	22,730	502	-	595,741	297,047
2016-20	435,758	115,069	23,015	217	-	2,942,376	1,209,187
2021-25	498,336	52,420	-	-	-	3,444,644	686,326
2026-30	107,887	2,195	-	-	-	1,584,102	173,120
	<u>\$ 1,350,792</u>	<u>\$ 301,477</u>	<u>\$ 112,260</u>	<u>\$ 3,900</u>	<u>\$ 195,857</u>	<u>\$ 10,910,556</u>	<u>\$ 3,755,786</u>

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**7. Retirement plan**

The City contributes to the Oregon Public Employees' Retirement System (PERS); a cost-sharing, multiple-employer, defined benefit pension plan and the Oregon Public Service Retirement Plan (OPSRP); a cost-sharing, multiple-employer, hybrid pension plan. Both PERS and OPSRP are governed by the Public Employees' Retirement Board (PERB) under the provisions of Oregon Revised Statutes 238. PERS provides retirement benefits under a variety of benefit options, as selected by retiring employees, and provides death and disability benefits. OPSRP provides a combination of retirement benefits under a defined benefit plan and an individual account program (IAP), the balance of which will be paid out in either a lump sum or over a 5, 10, 15, or 20 year period. Employees hired on or after August 29, 2003, participate only in OPSRP. Beginning January 1, 2005, active PERS members hired before August 29, 2003, became members of the IAP of OPSRP. These members retain their existing PERS account, however any future member contributions will be placed in the IAP. A copy of the Oregon Public Employees' Retirement System annual financial report may be obtained by writing to Public Employees' Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377 or at [www.oregon.gov/PERS](http://www.oregon.gov/PERS).

City employees are eligible to participate after completing six months of service. Covered employees are required by state statute to contribute 6 percent of their compensation to the plan. Current law permits the City to pay this amount on behalf of the employees. The City's contribution rate is set by PERB and is periodically adjusted based upon actuarial computations of the amount needed to provide retirement benefits. For employees hired before August 29, 2003, the City's contribution rate is 14.51 percent of covered compensation. For employees hired on or after August 29, 2003, the City's contribution rate is 17.37 percent for police covered compensation and 15.08 percent of covered compensation for all other employees.

The City's contribution to the plan for the years ending June 30, 2010, 2009, and 2008, were equal to the City's required contributions for each year as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>City</u> <u>Contribution</u>	<u>City Paid</u> <u>Member</u> <u>Contribution</u>	<u>Totals</u>
2010	\$ 589,527	\$ 251,652	\$ 841,179
2009	728,038	252,847	980,885
2008	705,117	245,717	950,834

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Interfund transfers

Interfund transfers during the year ended June 30, 2010 were as follows:

<u>Fund Type</u>	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
General	\$ 2,406	\$ 10,422
Other governmental funds	<u>10,422</u>	<u>2,406</u>
	<u>\$ 12,828</u>	<u>\$ 12,828</u>

Interest earned in the Water System Improvement Reserve fund (non major) is transferred to the General fund since the interest earnings are not reserved for capital projects.

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**9. Segment information for Enterprise Funds**

The City has issued revenue bonds to finance its water and sewer utilities.

Summary financial information for the water and sewer utilities is as follows:

<b>CONDENSED STATEMENT OF NET ASSETS</b>	Water	Sewer
Assets		
Current assets	\$ 4,243,727	\$ 4,754,977
Capital assets	17,549,337	11,222,411
Total assets	21,793,064	15,977,388
Liabilities		
Current liabilities	693,626	1,219,014
Long-term obligations	6,599,896	3,645,307
Total liabilities	7,293,522	4,864,321
Net assets		
Invested in capital assets, net of related debt	10,667,149	7,389,900
Restricted	296,983	2,873,418
Unrestricted	3,535,410	849,749
Total net assets	\$ 14,499,542	\$ 11,113,067

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

Operating revenues (pledged against bonds)	\$ 1,971,356	\$ 3,473,060
Operating expenses (excluding depreciation)	2,526,661	3,413,941
Depreciation	767,673	356,278
Operating (loss)	(1,322,978)	(297,159)
Nonoperating revenues (expenses)	(217,254)	649,438
Change in net assets	(1,540,232)	352,279
Beginning net assets	16,039,774	10,760,788
Ending net assets	\$ 14,499,542	\$ 11,113,067

**CONDENSED SYSTEM OF CASH FLOWS**

Net cash provided by (used in)		
Operating activities	\$ (575,042)	\$ 593,712
Capital and related financing activities	(665,386)	(438,035)
Investing activities	12,616	13,840
Net increase (decrease) in cash	(1,227,812)	169,517
Cash and cash equivalents - beginning of year	5,072,545	3,474,147
Cash and cash equivalents - end of year	\$ 3,844,733	\$ 3,643,664

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 10. Contingencies - accumulated sick leave

Portions of sick leave accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2010, City employees had accumulated 2,425 days of sick leave.

### 11. Risk management

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; torts; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for such risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### 12. Restricted net assets

Net assets have been restricted for capital projects due to the City implementing legislation for system development charges:

#### Government activities:

General	\$ 252,417
State tax street	<u>1,418,762</u>
Total governmental activities	<u>\$ 1,671,179</u>

#### Business-type activities:

Water	\$ 296,983
Sewer	<u>2,681,356</u>
Total business-type activities	<u>\$ 2,978,339</u>

Net assets of business-type activities have also been restricted as required by a lender as follows:

State of Oregon Department of Environmental Quality	<u>\$ 192,062</u>
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**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**13. Debt covenants**

Net operating revenues, defined as gross operating revenue less operating expenses of the facility, are irrevocably pledged for payment of certain loan obligations. Net operating revenues of the Sewer fund are pledged to the Oregon Department of Environmental Quality Sewer Separation Project loan, as well as the 2003/2004 I&I Correction Projects, the Wastewater I & I Infiltration Reduction loan, and the Wastewater Facilities Planning loan (all of which are not currently in re-payment). Revenues of the Water fund are pledged to the Oregon Economic and Community Development Department loan numbers G04004 and S04004.

In addition to pledged revenues, the Oregon Economic and Community Development Department loan number G04004 and S04004 requires the City to charge rates and fees in connection with operation of the Water system adequate to generate net operating revenues each fiscal year of at least 120% of annual debt service due in the fiscal year. Net operating revenue (loss) for the Water system for the fiscal year was (\$772,559), while 120% of the debt service for the fiscal year was \$654,112.

The Oregon Department of Environmental Quality requires the City to maintain Sewer rates and fees sufficient to generate net operating revenues in each fiscal year of at least 105% of the debt service requirement for the fiscal year. Net operating revenue for the current fiscal year was \$1,308,875, while 105% of the debt service requirement was \$87,483. The City's loans for the 2003/2004 I&I Correction Projects, the Wastewater I & I Infiltration Reduction loan, and the Wastewater Facilities Planning loan also require Sewer rates and fees sufficient to generate net operating revenues in excess of debt service requirements. However, until these loans enter repayment there is not a debt service requirement for the current fiscal year.

**14. Expenditures in excess of appropriations**

Oregon law prohibits expenditures or expenses of a fund in excess of board-approved appropriations. The City Council approves appropriations by category for each fund.

Expenditures in excess of appropriations were made in the following categories:

<u>Fund/Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Police – Material and Services	\$ 286,350	\$ 296,218	\$ (9,868)

**15. Commitments**

The I&I project for sewer collection system has created contractual commitments. At June 30, 2010 the City is committed to construction services in the amount of \$1,339,817.

**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**



**CITY OF ST. HELENS**

**COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS**

**June 30, 2010**

	Special Revenue Funds	Capital Projects Fund Water System Improvement Reserve	Totals
<b><u>ASSETS</u></b>			
Cash and investments	\$ 417,105	\$ 350,000	\$ 767,105
Receivables	21,766	-	21,766
<b>TOTAL ASSETS</b>	<b>\$ 438,871</b>	<b>\$ 350,000</b>	<b>\$ 788,871</b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued expenses	\$ 15,000	\$ -	\$ 15,000
<b><u>FUND BALANCE</u></b>			
Unreserved	423,871	350,000	773,871
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 438,871</b>	<b>\$ 350,000</b>	<b>\$ 788,871</b>

**CITY OF ST. HELENS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2010**

	Special Revenue Funds	Capital Projects Fund Water System Improvement Reserve	Totals
<b>REVENUES</b>			
Licenses and permits	\$ 119,855	\$ -	\$ 119,855
Transient room tax	72,673	-	72,673
Intergovernmental	157,096	-	157,096
Interest	-	2,406	2,406
Miscellaneous	715	-	715
<b>TOTAL REVENUES</b>	<u>350,339</u>	<u>2,406</u>	<u>352,745</u>
<b>EXPENDITURES</b>			
Current			
General government	120,149	-	120,149
Public safety	62,357	-	62,357
Culture and recreation	206,663	-	206,663
<b>TOTAL EXPENDITURES</b>	<u>389,169</u>	<u>-</u>	<u>389,169</u>
Excess (deficiency) of revenues over expenditures	<u>(38,830)</u>	<u>2,406</u>	<u>(36,424)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	10,422	-	10,422
Transfers out	-	(2,406)	(2,406)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>10,422</u>	<u>(2,406)</u>	<u>8,016</u>
Net change in fund balances	(28,408)	-	(28,408)
Fund balances at beginning of year	452,279	350,000	802,279
Fund balances at end of year	<u>\$ 423,871</u>	<u>\$ 350,000</u>	<u>\$ 773,871</u>

**CITY OF ST. HELENS**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS**  
**June 30, 2010**

	Building	St. Helens Visitors and Tourism	State Revenue Sharing	Totals
<b><u>ASSETS</u></b>				
Cash and investments	\$ 32,954	\$ 289,824	\$ 94,327	\$ 417,105
Receivables, net	-	-	21,766	21,766
<b>TOTAL ASSETS</b>	<b>\$ 32,954</b>	<b>\$ 289,824</b>	<b>\$ 116,093</b>	<b>\$ 438,871</b>
<b><u>LIABILITIES</u></b>				
Accounts payable and accrued expenses	\$ 15,000	\$ -	\$ -	15,000
<b><u>FUND BALANCE</u></b>				
Unreserved	17,954	289,824	116,093	423,871
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 32,954</b>	<b>\$ 289,824</b>	<b>\$ 116,093</b>	<b>\$ 438,871</b>

CITY OF ST. HELENS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2010

	Building	911 Emergency	St. Helens Visitors and Tourism	State Revenue Sharing	Totals
<b>REVENUES</b>					
Licenses and permits	\$ 119,855	\$ -	\$ -	\$ -	\$ 119,855
Transient room tax	-	-	72,673	-	72,673
Intergovernmental	-	62,357	-	94,739	157,096
Miscellaneous	715	-	-	-	715
<b>TOTAL REVENUES</b>	<u>120,570</u>	<u>62,357</u>	<u>72,673</u>	<u>94,739</u>	<u>350,339</u>
<b>EXPENDITURES</b>					
Current					
General government	120,149	-	-	-	120,149
Public safety	-	62,357	-	-	62,357
Culture and recreation	-	-	81,807	124,856	206,663
<b>TOTAL EXPENDITURES</b>	<u>120,149</u>	<u>62,357</u>	<u>81,807</u>	<u>124,856</u>	<u>389,169</u>
Excess (deficiency) of revenues over expenditures	421	-	(9,134)	(30,117)	(38,830)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	10,422	-	-	-	10,422
Net change in fund balance	10,843	-	(9,134)	(30,117)	(28,408)
Fund balance at beginning of year	7,111	-	298,958	146,210	452,279
Fund balance at end of year	<u>\$ 17,954</u>	<u>\$ -</u>	<u>\$ 289,824</u>	<u>\$ 116,093</u>	<u>\$ 423,871</u>

**CITY OF ST. HELENS**

**BUILDING - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Licenses and permits	\$ 108,134	\$ 119,855	\$ 11,721
Miscellaneous	<u>-</u>	<u>715</u>	<u>715</u>
<b>TOTAL REVENUES</b>	<u>108,134</u>	<u>120,570</u>	<u>12,436</u>
<b>EXPENDITURES</b>			
Personal services	102,884	99,040	3,844
Materials and services	24,552	21,109	3,443
Contingency	<u>2,698</u>	<u>-</u>	<u>2,698</u>
<b>TOTAL EXPENDITURES</b>	<u>130,134</u>	<u>120,149</u>	<u>9,985</u>
Excess (deficiency) of revenues over expenditures	<u>(22,000)</u>	<u>421</u>	<u>22,421</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term obligations	10,000	-	(10,000)
Transfers in	<u>12,000</u>	<u>10,422</u>	<u>(1,578)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>22,000</u>	<u>10,422</u>	<u>(11,578)</u>
Net change in fund balance	-	10,843	10,843
Fund balance at beginning of year	<u>-</u>	<u>7,111</u>	<u>7,111</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 17,954</u>	<u>\$ 17,954</u>

**CITY OF ST. HELENS**

**911 EMERGENCY - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 68,865	\$ 62,357	\$ (6,508)
<b>EXPENDITURES</b>			
Materials and services	<u>68,865</u>	<u>62,357</u>	<u>6,508</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF ST. HELENS**

**ST. HELENS VISITORS AND TOURISM - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Transient room tax	\$ 82,318	\$ 72,673	\$ (9,645)
 <b>EXPENDITURES</b>			
Materials and services	100,000	81,807	18,193
Contingency	<u>45,000</u>	<u>-</u>	<u>45,000</u>
 TOTAL EXPENDITURES	<u>145,000</u>	<u>81,807</u>	<u>63,193</u>
 Net change in fund balance	(62,682)	(9,134)	53,548
Fund balance at beginning of year	<u>62,682</u>	<u>298,958</u>	<u>236,276</u>
 Fund balance at end of year	<u>\$ -</u>	<u>\$ 289,824</u>	<u>\$ 289,824</u>

**CITY OF ST. HELENS**

**STATE REVENUE SHARING - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 112,048	\$ 94,739	\$ (17,309)
<b>EXPENDITURES</b>			
Other	125,000	124,856	144
Contingency	<u>143,789</u>	<u>-</u>	<u>143,789</u>
<b>TOTAL EXPENDITURES</b>	<u>268,789</u>	<u>124,856</u>	<u>143,933</u>
Net change in fund balance	(156,741)	(30,117)	126,624
Fund balance at beginning of year	<u>156,741</u>	<u>146,210</u>	<u>(10,531)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 116,093</u>	<u>\$ 116,093</u>



**CITY OF ST. HELENS**

**WATER SYSTEM IMPROVEMENT RESERVE - CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2010**

	Budget	Actual	Variance
<b>REVENUES</b>			
Interest	\$ 10,000	2,406	\$ (7,594)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	10,000	2,406	7,594
Net change in fund balance	-	-	-
Fund balance at beginning of year	350,000	350,000	-
Fund balance at end of year	\$ 350,000	\$ 350,000	\$ -

**CITY OF ST. HELENS**

**WATER - ENTERPRISE FUND (A MAJOR FUND)  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 2,515,866	\$ 1,971,356	\$ (544,510)
Interest	108,250	25,220	(83,030)
Miscellaneous	112,000	110,270	(1,730)
Watershed logging	<u>305,000</u>	<u>-</u>	<u>(305,000)</u>
<b>TOTAL REVENUES</b>	<u>3,041,116</u>	<u>2,106,846</u>	<u>(934,270)</u>
<b>EXPENDITURES</b>			
Personal services	1,383,929	1,332,839	51,090
Materials and services	1,579,458	1,196,608	382,850
Capital outlay	755,000	113,467	641,533
Debt service	552,370	552,369	1
Operating contingencies	<u>725,000</u>	<u>-</u>	<u>725,000</u>
<b>TOTAL EXPENDITURES</b>	<u>4,995,757</u>	<u>3,195,283</u>	<u>1,800,474</u>
Net change in fund balance	(1,954,641)	(1,088,437)	866,204
Fund balance at beginning of year	<u>1,954,641</u>	<u>5,152,869</u>	<u>3,198,228</u>
Fund balance at end of year	<u>\$ -</u>	4,064,432	<u>\$ 4,064,432</u>
<b>Reconciliation to generally accepted accounting principles</b>			
Capital assets, net		17,549,337	
Accrued interest payable		(151,921)	
Accumulated unpaid vacation		(80,118)	
Long-term obligations		<u>(6,882,188)</u>	
Net assets - ending		<u>\$ 14,499,542</u>	

**CITY OF ST. HELENS**

**SEWER - ENTERPRISE FUND (A MAJOR FUND)  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 4,917,549	\$ 3,728,795	\$ (1,188,754)
Grants	2,500,000	-	(2,500,000)
Interest	58,500	13,840	(44,660)
Miscellaneous	<u>86,500</u>	<u>334,220</u>	<u>247,720</u>
 TOTAL REVENUES	 <u>7,562,549</u>	 <u>4,076,855</u>	 <u>(3,485,694)</u>
 <b>EXPENDITURES</b>			
Collection sewer services			
Personal services	1,082,308	1,004,640	77,668
Materials and services	575,282	569,966	5,316
Capital outlay	9,790,000	2,322,006	7,467,994
Debt service	<u>265,922</u>	<u>94,363</u>	<u>171,559</u>
 Total collection sewer services	 <u>11,713,512</u>	 <u>3,990,975</u>	 <u>7,722,537</u>
 Secondary sewer service			
Personal services	447,425	419,731	27,694
Materials and services	<u>1,959,824</u>	<u>361,611</u>	<u>1,598,213</u>
 Total secondary sewer service	 <u>2,407,249</u>	 <u>781,342</u>	 <u>1,625,907</u>
 Primary sewer service			
Personal services	346,061	294,798	51,263
Materials and services	453,449	435,786	17,663
Capital outlay	<u>405,000</u>	<u>82,616</u>	<u>322,384</u>
 Total primary sewer service	 <u>1,204,510</u>	 <u>813,200</u>	 <u>391,310</u>

*Continued on page 45*

**SEWER - ENTERPRISE FUND (A MAJOR FUND)**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)**

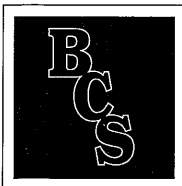
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES (continued)</b>			
Stormwater sewer services			
Personal services	\$ 237,184	\$ 206,282	\$ 30,902
Materials and services	357,496	367,248	(9,752)
Capital outlay	<u>450,000</u>	<u>167,708</u>	<u>282,292</u>
 Total stormwater sewer services	 <u>1,044,680</u>	 <u>741,238</u>	 <u>303,442</u>
 Contingency	 <u>300,000</u>	 <u>-</u>	 <u>300,000</u>
 TOTAL EXPENDITURES	 <u>16,669,951</u>	 <u>6,326,755</u>	 <u>10,343,196</u>
 Excess (deficiency) of revenues over expenditures	 (9,107,402)	 (2,249,900)	 6,857,502
<b>OTHER FINANCING SOURCES</b>			
Loan proceeds	<u>7,450,000</u>	<u>2,228,658</u>	<u>(5,221,342)</u>
 Net change in fund balance	 (1,657,402)	 (21,242)	 1,636,160
Fund balance at beginning of year	<u>1,657,402</u>	<u>3,624,249</u>	<u>1,966,847</u>
 Fund balance at end of year	 <u>\$ -</u>	 3,603,007	 <u>\$ 3,603,007</u>
<b>Reconciliation to generally accepted accounting principles</b>			
Capital assets, net		11,222,411	
Deferred revenue		353,123	
Accrued interest payable		(117,224)	
Accumulated unpaid vacation		(115,739)	
Long-term obligations		<u>(3,832,511)</u>	
 Net assets - ending		 <u>\$ 11,113,067</u>	

**CITY OF ST. HELENS**

**FLEET MAINTENANCE - INTERNAL SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2010**

	Budget	Actual	Variance
<b>REVENUES</b>			
Charges for interfund services			
Street	\$ 55,228	\$ 55,228	\$ -
Water	66,274	66,274	-
Storm drain	11,046	11,046	-
Sewer	33,137	33,137	-
Secondary sewer	33,137	33,137	-
Primary sewer	22,091	22,091	-
Total charges for interfund services	220,913	220,913	-
Miscellaneous	-	200	200
<b>TOTAL REVENUES</b>	<b>220,913</b>	<b>221,113</b>	<b>200</b>
<b>EXPENDITURES</b>			
Personal services	173,483	170,992	2,491
Materials and services	88,037	86,191	1,846
Capital outlay	5,000	-	5,000
Contingency	3,208	-	3,208
<b>TOTAL EXPENDITURES</b>	<b>269,728</b>	<b>257,183</b>	<b>12,545</b>
Net change in fund balance	(48,815)	(36,070)	12,745
Fund balance at beginning of year	48,815	43,553	(5,262)
Fund balance at end of year	\$ -	7,483	\$ 7,483
<b>Reconciliation to generally accepted accounting principles</b>			
Capital assets, net		111,161	
Net assets - ending		\$ 118,644	

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE  
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL  
CORPORATIONS**



# **BOLDT, CARLISLE & SMITH LLC**

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

## **INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS**

**Honorable Mayor and Members of the City Council  
CITY OF ST. HELENS  
St. Helens, Oregon**

We have audited the basic financial statements of the CITY OF ST. HELENS as of and for the year ended June 30, 2010, and have issued our report thereon dated March 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### **Compliance**

As part of obtaining reasonable assurance about whether the CITY OF ST. HELENS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS (continued)**

The budget was executed in compliance with legal requirements, except that disbursements in excess of appropriations (which is prohibited by ORS 294.435) were made in the following category:

Expenditures in excess of appropriations were made in the following categories:

<u>Fund/Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
General			
Police – material and services	\$ 286,350	\$ 296,218	\$ (9,868)
Sewer			
Stormwater – materials and services	357,496	367,248	(9,752)

Oregon law prohibits expenditures or expenses of a fund in excess of board-approved appropriations. The City Council approves appropriations by category for each fund.

**Internal Control OAR 162-10-0230**

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 opinion 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.

In connection with our audit we have issued a letter to management, as required by statement of auditing standards No. 115, communicating significant deficiencies and material weaknesses in internal controls.

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

*Boldt, Carlisle & Smith LLC*

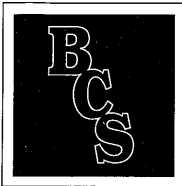
Certified Public Accountants

Salem, Oregon

March 16, 2011



**GRANT COMPLIANCE – SINGLE AUDIT**



**BOLDT, CARLISLE & SMITH LLC**

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

**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 Members of the City Council  
CITY OF ST. HELENS  
St. Helens, Oregon**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF ST. HELENS** as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 16, 2011. 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the Schedule of Findings and Questioned Costs as items 2010-1 to 2010-4 to be material weaknesses. 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 deficiencies described in the Schedule of Findings and Questioned Costs as items 2010-5 and 2010-6 to be significant deficiencies.

**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 (Continued)***

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

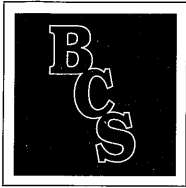
This report is intended for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Boldt, Carlisle & Smith, LLC*

Certified Public Accountants

Salem, Oregon

March 16, 2011



**BOLDT, CARLISLE & SMITH LLC**

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Honorable Mayor and Members of the City Council  
CITY OF ST. HELENS  
St. Helens, Oregon**

**Compliance**

We have audited the City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, **CITY OF ST. HELENS** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)**

**Internal Control Over Compliance**

Management of **CITY OF ST. HELENS** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Boldt, Carlisle & Smith, LLC*

Certified Public Accountants  
Salem, Oregon  
March 16, 2011

**CITY OF ST. HELENS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2010**

**Section I Summary of Auditors' Results**

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***Financial Statements***

Type of auditor's report issued:	<i>Unqualified</i>
Internal controls over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

***Federal awards***

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

CFDA <u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as a low-risk auditee:	No

## **Section II - Financial Statement Findings**

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### 2010 - 1 Controls over utility billing

- Criteria: Controls should be in place to ensure all amounts due the City are timely billed to customers.
- Condition: The City's controls did not have procedures in place to ensure that changes for service or new customer accounts are set up in the billing system timely.
- Cause: Customer accounts that are not set up to bill when service is turned on can result in services that are provided with out revenue. Timely billing of service is necessary for the City to collect service revenues.
- Effect: The City may not collect revenues for all services provided.
- Response: We concur that it is important to assure timely billing of all new customer accounts and with staffing turn over it was discovered that not all accounts were processed timely. Staff has implemented a new protocol in the billing process whereby an exception report is generated that lists all active meters that do not have a corresponding customer billing address.

### 2010 - 2 Controls over utility billing payments received.

- Criteria: Segregation of duties is an essential component of internal controls to ensure all receipts are recorded, and applied to customer accounts.
- Condition: The City's controls allowed the same individuals who collected customer receipts to apply payments and adjustments to customer accounts.
- Cause: Cash receipting is performed by the same employees that have access to post payments and adjustments to the customer accounts.
- Effect: Employees have the opportunity to divert payments for utility bills and issue a credit to a customer account.
- Response: We concur that providing segregation of duties is a key component to internal controls and safeguarding of City assets. We will be enhancing the current process that requires the Utility Billing Specialist to prepare documentation of all adjustments for the Finance Director to sign off and then require the Accounting Assistant to enter (controlled through Springbrook security application).

### 2010 - 3 Check signing policy

- Criteria: Controls over manual checks should have procedures to ensure compliance with the dual signature policy.
- Condition: Manual checks can be signed by a signature stamp that is also the control of an employee that has second signature authority.
- Cause: There is not in actual control to provide dual signatures, because both signatures are applied by the same person.
- Effect: The City's policy of having dual signatures is circumvented and control is solely under one person.
- Response: Manually processed checks are only issued in emergency situations and only when the limited number of staff that has the ability to process system checks is unavailable. Staff will further limit access to check stock (reference 2010 – 4 response), and change the custodian of the signature stamp to one that does not have check signing authorization.

#### 2010 - 4 Identification of accrued expenses.

- Criteria: The City should have procedures in place to identify all expenditures for a fiscal year including those paid in the subsequent fiscal year.
- Condition: Expenditures for construction invoices were incurred prior to the end of the year but invoices were received subsequent to year end and not identified for accrual.
- Cause: The City's process for identifying expenditures to accrue did not capture the invoices related to the construction activities in progress at the end of the fiscal year.
- Effect: Expenditures were understated.
- Response: The City will provide additional training to staff to assure expenditures will be processed in the appropriate year in which the services were provided. The year-end process will be further documented and disseminated to all staff handling the processing and approval of invoices to assure understanding and compliance.

#### 2010 -5 Safeguarding check stock

- Criteria: The check stock of the City and the printing of checks should be safeguarded to prevent unauthorized uses.
- Condition: The check stock is stored in an area that is accessible to employees other than employees responsible for creating payments. There is not password security on the software used to print checks.
- Cause: Checks are printed with signatures from the accounts payable software and employees have access to both the check stock and the computer program to create checks.
- Effect: An employee could create an unauthorized check complete with signature without the knowledge of the finance department.
- Response: Currently the only authorized personnel that can run the check printing program in Springbrook's accounts payable program are the Finance Director and two Accounting Assistants. We concur that the check stock (preprinted checks for manual processing and the blank paper stock used for system printed checks) should be locked up and a control log kept limiting and monitoring access. We are in the process of purchasing a fire proof/safe filing cabinet that can only be accessed by the two Utility Billing Specialists. They will be the main custodian of the checks and applicable control log.

#### 2010 - 6 Recording of public City Council Meetings

- Criteria: The City is required to keep an accurate record of council proceedings.
- Condition: The City had not prepared minutes for many of the work sessions or Council meetings during the fiscal year when we arrived to conduct the audit.
- Cause: The City had not transcribed the recording of the meetings to minutes to create a record of the meetings.
- Effect: Without a timely transcription of the recording of the meetings it is less likely that an accurate record will be maintained of the meeting.
- Response: The back log in transcribing was the result in staffing turnover/shortage. The front office is now fully staffed and has made transcribing a priority.

### **Section III - Federal Award Findings and Questioned Costs**

None



**CITY OF ST. HELENS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2010**

	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<hr/> <b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b> <hr/>		
<b>Office of Community Planning and Development</b>		
<i>Passed through Oregon Economic and Community Development</i>		
Community Development Block Grant	14.228	\$ <u>800,000</u>
<hr/> <b>DEPARTMENT OF THE INTERIOR</b> <hr/>		
<i>Passed through Oregon State Marine Board</i>		
Clean Vessel Act (CVA)	15.616	<u>525</u>
<hr/> <b>DEPARTMENT OF JUSTICE</b> <hr/>		
Recovery Act Edward Byrne Memorial Justice	16.804	27,931
<i>Passed through Tillamook County</i>		
Recovery Act Edward Byrne Memorial Justice	16.804	<u>26,239</u>
Total Recovery Act Edward Byrne Memorial Justice		<u>54,170</u>
<hr/> <b>ENVIROMENTAL PROTECTION AGENCY</b> <hr/>		
<b>Office of Water</b>		
<i>Passed through Oregon Department of Enviromental Quality</i>		
Capitalization Grant for Clean Water State Revovling Funds		
ARRA Wastewater Inflow and Infiltration Reduction	66.458	<u>2,805,638</u>
TOTAL FEDERAL EXPNDITURES		<u><u>\$ 3,660,333</u></u>

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards is a summary of the City's federal award programs presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles.