



ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2011

CITY OF ST. HELENS

For the Year Ended June 30, 2011

CITY COUNCIL

**Term Expires
December 31,**

Mayor

Randall Peterson
715 Maplewood Drive
St. Helens, OR 97051

2012

Councilors

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

2012

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

2014

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

2014

Patrick Martyn
265 South 13th Street
St. Helens, OR 97051

2012

CITY STAFF

Chad Olsen, *Administrator*

Jon Ellis, *Finance Director*

CITY OF ST. HELENS

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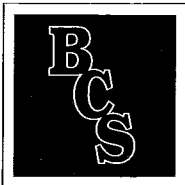
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BOLDT, CARLISLE & SMITH LLC

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, 2011, 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 the 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, 2011, the respective changes in financial position, cash flows, where applicable, thereof, and the respective budgetary comparisons for the General and State Tax Street 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 January 5, 2012 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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Established - 1968

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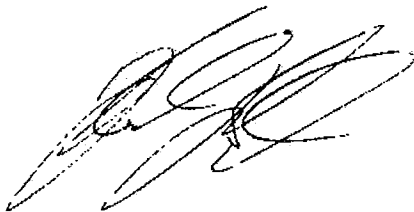
Honorable Mayor and Members of the City Council
CITY OF ST. HELENS
St. Helens, Oregon

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 *i* through *vi* 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 financial 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 financial 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
January 5, 2012



Bradley G. Bingenheimer, Member

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ST. HELENS

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2011

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, 2011. 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 \$46.33 million. Of this amount, \$9.26 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 \$.72 million. Net assets associated with governmental activities decreased \$.34 million primarily reflecting the multi-year strategy of operating cost reductions. Net assets associated from business-type activities decreased \$.38 million primarily reflecting the increase of debt associated with new infrastructure.
- On a fund basis, the City's governmental funds reported a combined ending fund balance of \$4.49 million. A \$.93 million decrease from the prior year is primarily a reflection of the continued sluggish economy.
- The General Fund's financial position declined over last fiscal year. On June 30, 2011, the ending fund balance is \$2.06 million, a decrease of \$.58 million (21.97%) from the previous year. Although revenues increased from the prior year, expenditures still exceeded revenue levels. The unassigned fund balance is \$1.37 million and represents 39.3% 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 | |
|--|-------------------------|----------|--------------------------|----------|----------|----------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| ASSETS | | | | | | |
| Current and other assets | \$ 5.25 | \$ 6.12 | \$ 8.59 | \$ 9.03 | \$ 13.84 | \$ 15.15 |
| Capital assets, net | 16.42 | 15.95 | 30.86 | 28.88 | 47.27 | 44.83 |
| Total assets | 21.67 | 22.07 | 39.45 | 37.91 | 61.11 | 59.98 |
| LIABILITIES | | | | | | |
| Current liabilities | 0.43 | 0.44 | 0.62 | 1.25 | 1.05 | 1.69 |
| Long-term obligations | 0.27 | 0.32 | 13.46 | 10.91 | 13.73 | 11.23 |
| Total liabilities | 0.70 | 0.76 | 14.08 | 12.16 | 14.78 | 12.93 |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 16.34 | 15.82 | 17.87 | 18.15 | 34.20 | 33.97 |
| Restricted | 0.40 | 1.67 | 2.47 | 3.17 | 2.87 | 4.84 |
| Unrestricted | 4.22 | 3.82 | 5.03 | 4.43 | 9.26 | 8.24 |
| TOTAL NET ASSETS | \$ 20.96 | \$ 21.31 | \$ 25.36 | \$ 25.75 | \$ 46.33 | \$ 47.05 |

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 \$46.33 million at June 30, 2011.

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 parks and roads, as well as water, sewer, and storm drain infrastructure which are offset by issuance of debt (DEQ Loan Proceeds). 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)

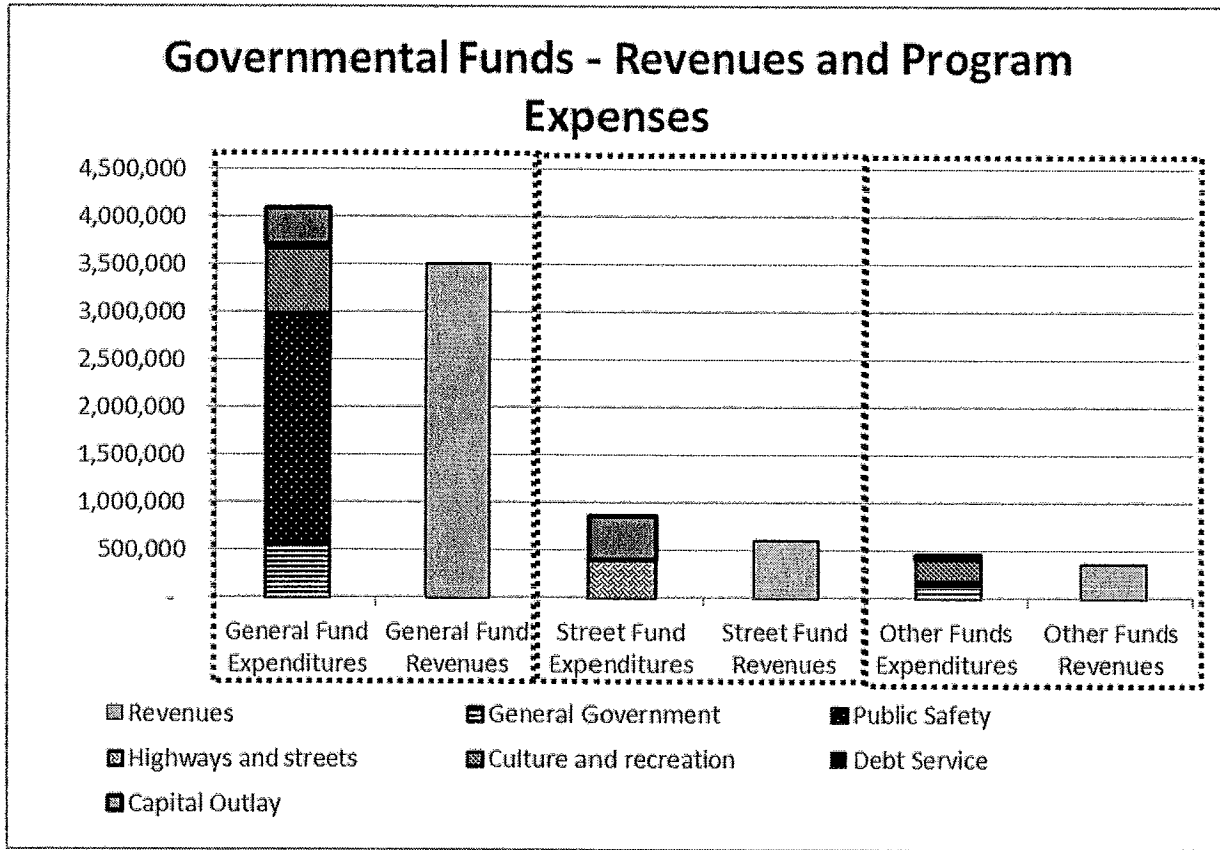
| | Governmental Activities | | Business-type Activities | | Totals | |
|------------------------------------|-------------------------|-------------|--------------------------|-------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Program revenues | | | | | | |
| Charges for services | \$ 0.53 | \$ 0.60 | \$ 6.32 | \$ 5.61 | \$ 6.85 | \$ 6.21 |
| Operating grants and contributions | 0.71 | 0.69 | - | - | 0.71 | 0.69 |
| Capital grants and contributions | 0.12 | 0.16 | - | - | 0.12 | 0.16 |
| General revenues | | | | | | |
| Property taxes | 1.48 | 1.39 | - | - | 1.48 | 1.39 |
| Franchise taxes | 0.72 | 0.70 | - | - | 0.72 | 0.70 |
| Transient room taxes | 0.07 | 0.07 | - | - | 0.07 | 0.07 |
| Other grants and contributions | 0.49 | 1.65 | - | - | 0.49 | 1.65 |
| Investment earnings | 0.04 | 0.16 | 0.05 | 0.04 | 0.09 | 0.20 |
| Miscellaneous | 0.41 | 0.45 | 0.19 | 0.80 | 0.60 | 1.24 |
| Watershed logging | - | - | 0.48 | - | 0.48 | - |
| Gain on sale of equipment | - | (0.01) | - | - | - | (0.01) |
| Total revenues | 4.56 | 5.85 | 7.05 | 6.45 | 11.61 | 12.30 |
| Program expenses | | | | | | |
| General government | 0.69 | 0.70 | - | - | 0.69 | 0.70 |
| Public safety | 2.49 | 2.51 | - | - | 2.49 | 2.51 |
| Highways and streets | 0.70 | 0.91 | - | - | 0.70 | 0.91 |
| Culture and recreation | 1.03 | 1.15 | - | - | 1.03 | 1.15 |
| Interest on long-term obligations | 0.00 | 0.01 | - | - | 0.00 | 0.01 |
| Water | - | - | 3.64 | 3.73 | 3.64 | 3.73 |
| Sewer | - | - | 3.80 | 3.94 | 3.80 | 3.94 |
| Total program expenses | 4.90 | 5.27 | 7.43 | 7.67 | 12.33 | 12.94 |
| Change in net assets | (0.34) | 0.58 | (0.38) | (1.22) | (0.72) | (0.64) |
| Net assets - beginning of year | 21.31 | 20.72 | 25.75 | 26.97 | 47.05 | 47.70 |
| Net assets - end of year | \$ 20.96 | \$ 21.31 | \$ 25.36 | \$ 25.75 | \$ 46.33 | \$ 47.05 |

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 \$4.49 million. Approximately \$1.37 million or 30% of this amount constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of fund balance is assigned, restricted, or unavailable and is not available for new spending because of contractual or regulatory requirements that limit usage.

The draw on reserves from \$5.42 million to \$4.49 million or a reduction of \$.93 million primarily reflects capital outlay expenditures combined with a multi-year strategy of operating cost reductions. The chart below reflects governmental fund's revenue and program expenditures.



Financial Analysis of the Proprietary's Funds

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 \$5.00 million. The unrestricted net assets increased by \$.61 million. This increase is mostly attributable to a combination of watershed timber harvesting revenues, utility rate increases, and draw on restricted reserves for designated capital assets. The identified capital infrastructure replacement and system growth needs 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 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 9% in 2009-10 and 4% in 2010-11. Unfortunately, corresponding reductions in revenues occurred that 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 2012-13 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, 2011 was \$47.27 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:
 - Police Facilities Seismic Upgrade and Generator - \$75,568
 - Park Land Acquisition - \$196,248
 - Columbia View Park Improvements - \$227,988
 - Sidewalks and Streets - \$143,648
 - Rolling Equipment - \$243,302
- Business-type activities
 - Rolling Equipment - \$65,462
 - Sanitary Sewer I/I Project - \$2,746,177
 - Waste Water Treatment Plant Headworks - \$414,697
 - Other Equipment - \$324,979
 - Storm Drains - \$10,505

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 \$13.73 million. Of this amount, \$.27 million is reported in the governmental activities and \$13.46 million is reported in the business-type activities. New debt of \$2.12 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%
- 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: City of St. Helens, Attn: Jon Ellis - Finance Director/Budget Officer, P. O. Box 278, St. Helens, Or 97051, or e-mailed to: jellis@ci.st-helens.or.us.

BASIC FINANCIAL STATEMENTS

CITY OF ST. HELENS

STATEMENT OF NET ASSETS

June 30, 2011

| | Governmental Activities | Business-type Activities | Totals |
|---|----------------------------|-----------------------------|-------------------|
| <u>ASSETS</u> | | | |
| Cash and investments | \$ 4,604,262 | \$ 6,945,588 | \$ 11,549,850 |
| Receivables, net | 586,355 | 1,546,675 | 2,133,030 |
| Inventories | 50,178 | 81,189 | 131,367 |
| Prepaid items | 25,040 | - | 25,040 |
| Internal balances | (16,044) | 16,044 | - |
| Capital assets: | | | |
| Land, improvements and construction in progress | 8,578,623 | 4,203,260 | 12,781,883 |
| Other capital assets, net | 7,838,838 | 26,652,304 | 34,491,142 |
| TOTAL ASSETS | 21,667,252 | 39,445,060 | 61,112,312 |
| <u>LIABILITIES</u> | | | |
| Accounts payable and accrued expenses | 341,557 | 540,117 | 881,674 |
| Accrued interest payable | 4,199 | 296,780 | 300,979 |
| Deposits payable | 88,147 | 137,710 | 225,857 |
| Long-term obligations: | | | |
| Due within one year | 235,711 | 2,588,168 | 2,823,879 |
| Due in more than one year | 34,720 | 10,517,300 | 10,552,020 |
| TOTAL LIABILITIES | 704,334 | 14,080,075 | 14,784,409 |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 16,335,219 | 17,865,607 | 34,200,826 |
| Restricted for: | | | |
| Community development | 18,467 | - | 18,467 |
| Grant programs | 112,417 | - | 112,417 |
| Tourism | 279,812 | - | 279,812 |
| Capital outlay | 1,175,997 | 2,274,161 | 3,450,158 |
| Debt service | - | 192,062 | 192,062 |
| Other | 107,274 | - | 107,274 |
| Unrestricted | 2,933,732 | 5,033,155 | 7,966,887 |
| TOTAL NET ASSETS | \$ 20,962,918 | \$ 25,364,985 | \$ 46,327,903 |

See notes to basic financial statements

CITY OF ST. HELENS

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

| 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 | |
| Governmental activities | | | | | | | |
| General government | \$ 685,440 | \$ 242,821 | \$ 90,778 | \$ - | \$ (351,841) | | \$ (351,841) |
| Public safety | 2,486,600 | 261,889 | 20,000 | 20,019 | (2,184,692) | | (2,184,692) |
| Highways and streets | 696,261 | - | 600,242 | 130,837 | 34,818 | | 34,818 |
| Culture and recreation | 1,025,963 | 20,294 | 1,670 | 9,691 | (994,308) | | (994,308) |
| Interest on long-term obligations | 4,382 | - | - | - | (4,382) | | (4,382) |
| TOTAL GOVERNMENTAL ACTIVITIES | 4,898,646 | 525,004 | 712,690 | 160,547 | (3,500,405) | | (3,500,405) |
| Business-type activities | | | | | | | |
| Water | 3,637,928 | 2,246,272 | - | - | | \$ (1,391,656) | (1,391,656) |
| Sewer | 3,795,318 | 4,077,164 | - | - | | 281,846 | 281,846 |
| TOTAL BUSINESS-TYPE ACTIVITIES | 7,433,246 | 6,323,436 | - | - | | (1,109,810) | (1,109,810) |
| Totals | \$ 12,331,892 | \$ 6,848,440 | \$ 712,690 | \$ 160,547 | (3,500,405) | (1,109,810) | (4,610,215) |
| General revenues: | | | | | | | |
| Property taxes levied for general purposes | | | | | 1,476,126 | - | 1,476,126 |
| Franchise taxes | | | | | 718,621 | - | 718,621 |
| Transient room taxes | | | | | 71,055 | - | 71,055 |
| Grants and contributions not restricted to specific purposes | | | | | 485,340 | - | 485,340 |
| Unrestricted investment earnings | | | | | 41,917 | 51,119 | 93,036 |
| Miscellaneous | | | | | 408,113 | 194,583 | 602,696 |
| Watershed logging | | | | | - | 481,588 | 481,588 |
| TOTAL GENERAL REVENUES | | | | | 3,201,172 | 727,290 | 3,928,462 |
| CHANGE IN NET ASSETS | | | | | (299,233) | (382,520) | (681,753) |
| NET ASSETS - BEGINNING | | | | | 21,305,143 | 25,747,505 | 47,052,648 |
| PRIOR PERIOD ADJUSTMENT | | | | | (42,992) | - | (42,992) |
| NET ASSETS - ENDING | | | | | \$ 20,962,918 | \$ 25,364,985 | \$ 46,327,903 |

CITY OF ST. HELENS

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

| | General | State Tax Street | Other Governmental Funds | Totals |
|--|----------------------------|----------------------------|--------------------------------|-----------------------------|
| <u>ASSETS</u> | | | | |
| Cash and investments | \$ 2,209,597 | \$ 1,695,172 | \$ 699,493 | \$ 4,604,262 |
| Receivables, net | 428,885 | 42,992 | 114,478 | 586,355 |
| Inventories | - | 50,178 | - | 50,178 |
| Prepays | 25,040 | - | - | 25,040 |
| TOTAL ASSETS | <u>\$ 2,663,522</u> | <u>\$ 1,788,342</u> | <u>\$ 813,971</u> | <u>\$ 5,265,835</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts payable and accrued expenses | \$ 293,360 | \$ 35,019 | \$ 13,178 | \$ 341,557 |
| Deposits | 86,847 | 1,300 | - | 88,147 |
| Deferred revenue | 219,927 | 42,992 | 80,932 | 343,851 |
| TOTAL LIABILITIES | <u>600,134</u> | <u>79,311</u> | <u>94,110</u> | <u>773,555</u> |
| <u>FUND BALANCE</u> | | | | |
| Non-spendable | 25,040 | 50,178 | - | 75,218 |
| Restricted | 189,185 | 1,658,853 | 369,971 | 2,218,009 |
| Committed | 425,124 | - | - | 425,124 |
| Assigned | 54,632 | - | 350,000 | 404,632 |
| Unassigned | 1,369,407 | - | (110) | 1,369,297 |
| TOTAL FUND BALANCE | <u>2,063,388</u> | <u>1,709,031</u> | <u>719,861</u> | <u>4,492,280</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 2,663,522</u> | <u>\$ 1,788,342</u> | <u>\$ 813,971</u> | |
| <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. | | | | 16,417,461 |
| 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 | | | \$ 169,899 | |
| Fines and other receivables earned but not available | | | 173,952 | 343,851 |
| Internal balances result from transactions between the governmental activities, business-type activities and internal service funds. | | | | (16,044) |
| Accrued interest is not due and payable in the current period and therefore are not reported in the funds. | | | | (4,199) |
| Long-term obligations, including notes payable, are not due and payable in the current period and therefore are not reported in the funds. | | | | (270,431) |
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | | | | <u>\$ 20,962,918</u> |

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, 2011

| | General | State Tax Street | Other Governmental Funds | Totals |
|---|---------------------|---------------------|--------------------------------|---------------------|
| REVENUES | | | | |
| Property taxes | \$ 1,468,801 | \$ - | \$ - | \$ 1,468,801 |
| System development charges | 9,691 | 26,212 | - | 35,903 |
| Franchise fees | 718,621 | - | - | 718,621 |
| Licenses, permits and fees | 93,811 | - | 115,275 | 209,086 |
| Fines and forfeitures | 234,711 | - | - | 234,711 |
| Transient room tax | - | - | 71,055 | 71,055 |
| Intergovernmental | 502,370 | 600,242 | 158,434 | 1,261,046 |
| Interest | 30,152 | 7,697 | 4,068 | 41,917 |
| Miscellaneous | 427,175 | 2,819 | 8,125 | 438,119 |
| TOTAL REVENUES | <u>3,485,332</u> | <u>636,970</u> | <u>356,957</u> | <u>4,479,259</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 563,140 | - | 105,581 | 668,721 |
| Public safety | 2,417,152 | - | 62,903 | 2,480,055 |
| Highways and streets | - | 390,642 | - | 390,642 |
| Culture and recreation | 669,988 | - | 228,304 | 898,292 |
| Debt service | 51,839 | - | 10,000 | 61,839 |
| Capital outlay | 374,832 | 465,750 | 33,695 | 874,277 |
| TOTAL EXPENDITURES | <u>4,076,951</u> | <u>856,392</u> | <u>440,483</u> | <u>5,373,826</u> |
| Excess (deficiency) of revenues over expenditures | <u>(591,619)</u> | <u>(219,422)</u> | <u>(83,526)</u> | <u>(894,567)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from interfund loans | 10,000 | - | - | 10,000 |
| Transfers in | 4,068 | - | - | 4,068 |
| Transfers out | - | - | (4,068) | (4,068) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>14,068</u> | <u>-</u> | <u>(4,068)</u> | <u>10,000</u> |
| Net change in fund balances | (577,551) | (219,422) | (87,594) | (884,567) |
| Fund balances at beginning of year | 2,640,939 | 1,971,445 | 807,455 | 5,419,839 |
| Prior period adjustment | - | (42,992) | - | (42,992) |
| Fund balances at end of year | <u>\$ 2,063,388</u> | <u>\$ 1,709,031</u> | <u>\$ 719,861</u> | <u>\$ 4,492,280</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, 2011**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (884,567)

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 | \$ 886,754 | |
| Depreciation | <u>(414,963)</u> | 471,791 |

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

| | | |
|-------------------------------|---------------|--------|
| Taxes | 7,325 | |
| Fines, forfeitures and grants | 8,204 | |
| System development charges | <u>42,992</u> | 58,521 |

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 | | 45,151 |
|--------------------|--|--------|

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 | 2,306 | |
| Compensated absences | <u>7,355</u> | 9,661 |

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.

| | | |
|--|--|------------|
| | | <u>210</u> |
|--|--|------------|

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

| | | |
|--|----|-------------------------|
| | \$ | <u><u>(299,233)</u></u> |
|--|----|-------------------------|

CITY OF ST. HELENS

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

| | Budget | | Actual | Variance |
|-----------------------------|------------------|------------------|------------------|------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 1,545,648 | \$ 1,545,648 | \$ 1,468,801 | \$ (76,847) |
| System development charges | 16,000 | 16,000 | 9,691 | (6,309) |
| Franchise fees | 799,689 | 799,689 | 718,621 | (81,068) |
| Licenses and permits | 129,500 | 129,500 | 93,811 | (35,689) |
| Fines and forfeitures | 243,000 | 243,000 | 234,711 | (8,289) |
| Intergovernmental | 410,617 | 410,617 | 502,370 | 91,753 |
| Interest | 38,500 | 38,500 | 30,152 | (8,348) |
| Miscellaneous | | | | |
| Other | 108,175 | 108,175 | 46,194 | (61,981) |
| In lieu of franchise fees | 377,585 | 377,585 | 380,981 | 3,396 |
| TOTAL REVENUES | <u>3,668,714</u> | <u>3,668,714</u> | <u>3,485,332</u> | <u>(183,382)</u> |
| EXPENDITURES | | | | |
| Administration | | | | |
| Personal services | 439,731 | 439,731 | 415,315 | 24,416 |
| Materials and services | 184,847 | 184,847 | 147,825 | 37,022 |
| Total administration | <u>624,578</u> | <u>624,578</u> | <u>563,140</u> | <u>61,438</u> |
| Police | | | | |
| Personal services | 2,283,851 | 2,177,951 | 2,115,699 | 62,252 |
| Materials and services | 265,410 | 295,710 | 244,703 | 51,007 |
| Total police | <u>2,549,261</u> | <u>2,473,661</u> | <u>2,360,402</u> | <u>113,259</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 | \$ 340,408 | \$ 340,408 | \$ 324,678 | \$ 15,730 |
| Materials and services | 170,555 | 170,555 | 157,326 | 13,229 |
| Total library | 510,963 | 510,963 | 482,004 | 28,959 |
| Parks | | | | |
| Personal services | 117,661 | 117,661 | 89,681 | 9,268 |
| Materials and services | 203,364 | 113,364 | 98,303 | 15,061 |
| Debt service | 51,841 | 51,841 | 51,839 | 2 |
| Total parks | 372,866 | 282,866 | 239,823 | 24,331 |
| Capital outlay | 139,092 | 438,192 | 431,582 | 6,610 |
| Contingency | 1,362,835 | 1,229,335 | - | 1,229,335 |
| TOTAL EXPENDITURES | 5,559,595 | 5,559,595 | 4,076,951 | 1,463,932 |
| Excess (deficiency) of revenues over expenditures | (1,890,881) | (1,890,881) | (591,619) | 1,280,550 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from interfund loan | - | - | 10,000 | 10,000 |
| Proceeds from sale of capital assets | 500 | 500 | - | (500) |
| Transfers in | 5,000 | 5,000 | 4,068 | (932) |
| Transfers out | (10,000) | (10,000) | - | 10,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | (4,500) | (4,500) | 14,068 | 18,568 |
| Net change in fund balance | (1,895,381) | (1,895,381) | (577,551) | 1,317,830 |
| Fund balance at beginning of year | 1,895,381 | 1,895,381 | 2,640,939 | 745,558 |
| Fund balance at end of year | \$ - | \$ - | \$ 2,063,388 | \$ 2,063,388 |

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, 2011

| | Budget | | Actual | Variance |
|------------------------------------|------------------|------------------|---------------------|---------------------|
| | Original | Final | | |
| REVENUES | | | | |
| System development charges | \$ 60,000 | \$ 60,000 | \$ 26,212 | \$ (33,788) |
| Intergovernmental | 882,800 | 882,800 | 600,242 | (282,558) |
| Interest | 1,000 | 1,000 | 7,697 | 6,697 |
| Miscellaneous | 2,000 | 2,000 | 2,819 | 819 |
| TOTAL REVENUES | <u>945,800</u> | <u>945,800</u> | <u>636,970</u> | <u>(308,830)</u> |
| EXPENDITURES | | | | |
| Personal services | 151,584 | 151,584 | 147,558 | 4,026 |
| Materials and services | 888,322 | 605,562 | 243,084 | 362,478 |
| Capital outlay | 175,000 | 526,060 | 465,750 | 60,310 |
| Operating contingencies | 75,000 | 6,700 | - | 6,700 |
| TOTAL EXPENDITURES | <u>1,289,906</u> | <u>1,289,906</u> | <u>856,392</u> | <u>433,514</u> |
| Net change in fund balance | (344,106) | (344,106) | (219,422) | 124,684 |
| Fund balance at beginning of year | 344,106 | 344,106 | 1,971,445 | 1,627,339 |
| Prior period adjustment | - | - | (42,992) | (42,992) |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,709,031</u> | <u>\$ 1,709,031</u> |

See notes to basic financial statements

CITY OF ST. HELENS

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2011

| | Enterprise | | | Business- type Activities |
|---|---------------|---------------|--------------|---------------------------------|
| | Water | Sewer | Totals | Internal Service |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and investments | \$ 3,326,227 | \$ 3,603,365 | \$ 6,929,592 | \$ 15,996 |
| Receivables | 379,232 | 1,167,443 | 1,546,675 | - |
| Inventories | 62,443 | 9,545 | 71,988 | 9,201 |
| Total current assets | 3,767,902 | 4,780,353 | 8,548,255 | 25,197 |
| Capital assets: | | | | |
| Land, improvements and construction in progress | 956,371 | 3,246,889 | 4,203,260 | - |
| Other capital assets, net | 15,915,441 | 10,638,004 | 26,553,445 | 98,859 |
| TOTAL ASSETS | 20,639,714 | 18,665,246 | 39,304,960 | 124,056 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable and accrued expenses | 38,047 | 497,499 | 535,546 | 4,571 |
| Accrued interest payable | 146,355 | 150,425 | 296,780 | - |
| Deposits payable | 137,710 | - | 137,710 | - |
| Compensated absences payable | 44,980 | 70,531 | 115,511 | - |
| Current portion of long-term obligations | 288,670 | 2,183,987 | 2,472,657 | - |
| Total current liabilities | 655,762 | 2,902,442 | 3,558,204 | 4,571 |
| Long-term obligations | 6,311,225 | 4,206,075 | 10,517,300 | - |
| TOTAL LIABILITIES | 6,966,987 | 7,108,517 | 14,075,504 | 4,571 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 10,271,917 | 7,494,831 | 17,766,748 | 98,859 |
| Restricted for: | | | | |
| Capital projects | 528,954 | 1,745,207 | 2,274,161 | - |
| Debt service | - | 192,062 | 192,062 | - |
| Unrestricted | 2,871,856 | 2,124,629 | 4,996,485 | 20,626 |
| TOTAL NET ASSETS | \$ 13,672,727 | \$ 11,556,729 | 25,229,456 | \$ 119,485 |

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.

119,485

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

16,044

NET ASSETS OF BUSINESS-TYPE ACTIVITIES

\$ 25,364,985

CITY OF ST. HELENS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011

| | Enterprise | | | Business-type Activities |
|---|---------------|---------------|--------------|-----------------------------|
| | Water | Sewer | Totals | Internal Service |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 2,172,312 | \$ 3,966,224 | \$ 6,138,536 | \$ 246,533 |
| OPERATING EXPENSES | | | | |
| Personal services | 1,399,564 | 2,213,068 | 3,612,632 | 174,663 |
| Materials and services | 971,187 | 1,072,932 | 2,044,119 | 58,726 |
| Depreciation | 789,158 | 355,654 | 1,144,812 | 12,302 |
| TOTAL OPERATING EXPENSES | 3,159,909 | 3,641,654 | 6,801,563 | 245,691 |
| OPERATING INCOME (LOSS) | (987,597) | 324,570 | (663,027) | 842 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest earned on investments | 26,421 | 24,698 | 51,119 | - |
| Miscellaneous | 57,086 | 137,497 | 194,583 | - |
| Watershed logging | 481,588 | - | 481,588 | - |
| Watershed logging | (147,078) | - | (147,078) | - |
| Interest | (257,234) | (43,103) | (300,337) | - |
| Total nonoperating revenues (expenses) | 160,783 | 119,092 | 279,875 | - |
| Change in net assets | (826,814) | 443,662 | (383,152) | 842 |
| Net assets at beginning of year | 14,499,541 | 11,113,067 | | 118,643 |
| Net assets at end of year | \$ 13,672,727 | \$ 11,556,729 | | \$ 119,485 |

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

A portion of the net revenue (expense) of the internal service fund is allocable to business-type activities

632

CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES \$ (382,520)

CITY OF ST. HELENS

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2011**

| | Enterprise | | | Business- |
|---|---------------------|---------------------|---------------------|------------------|
| | Water | Sewer | Totals | type |
| | | | | Activities |
| | | | | Internal |
| | | | | Service |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 2,198,546 | \$ 4,032,390 | \$ 6,230,936 | \$ - |
| Receipts from interfund services provided | - | - | - | 246,880 |
| Payments for interfund services used | (73,960) | (110,940) | (184,900) | - |
| Payments to suppliers | (912,594) | (1,257,684) | (2,170,278) | (59,154) |
| Payments to employees | (1,434,702) | (2,258,276) | (3,692,978) | (174,663) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | (222,710) | 405,490 | 182,780 | 13,063 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from long-term obligations | - | 2,630,967 | 2,630,967 | - |
| Acquisition of capital assets | (111,633) | (3,018,136) | (3,129,769) | - |
| Principal paid on long-term obligations | (282,292) | (73,416) | (355,708) | - |
| Interest paid on long-term obligations | (262,802) | (9,902) | (272,704) | - |
| NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | (656,727) | (470,487) | (1,127,214) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Watershed logging - net | 334,510 | - | 334,510 | - |
| Interest on investments | 26,421 | 24,698 | 51,119 | - |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 360,931 | 24,698 | 385,629 | - |
| Net increase (decrease) in cash and cash equivalents | (518,506) | (40,299) | (558,805) | 13,063 |
| Cash and cash equivalents - beginning of year | 3,844,733 | 3,643,664 | 7,488,397 | 2,933 |
| Cash and cash equivalents- end of year | <u>\$ 3,326,227</u> | <u>\$ 3,603,365</u> | <u>\$ 6,929,592</u> | <u>\$ 15,996</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ (987,597) | \$ 324,570 | \$ (663,027) | \$ 842 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | |
| Depreciation | 789,158 | 355,654 | 1,144,812 | 12,302 |
| Miscellaneous | 57,086 | 137,497 | 194,583 | - |
| Decrease (increase) in assets | | | | |
| Receivables | (33,401) | (71,331) | (104,732) | - |
| Inventories | (9,280) | 5,656 | (3,624) | 347 |
| Increase (decrease) in liabilities | | | | |
| Accounts payable and accrued expenses | (6,087) | (301,348) | (307,435) | (428) |
| Deposits payable | 2,549 | - | 2,549 | - |
| Compensated absences payable | (35,138) | (45,208) | (80,346) | - |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | \$ (222,710) | \$ 405,490 | \$ 182,780 | \$ 13,063 |

See notes to basic financial statements

CITY OF ST. HELENS

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

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.

In the government-wide and proprietary fund financial statements, 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.

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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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.

In the governmental fund financial statements, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

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.

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.

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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

G. Receivables (continued)

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 earn 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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

L. Equity

Equity on the government-wide and proprietary fund financial statements is classified as net assets and displayed in three components in the government-wide financial statements:

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

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different fund balance categories that a governmental entity must use for financial reporting purposes in its governmental fund types.

GASB 54 requires governmental type fund balance amounts to be properly reported within one of the fund balance categories list below:

Non-spendable — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has granted authority to assign fund balance amounts.

Unassigned — the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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.

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, 2011, 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 | \$ 7,726,517 | * |
| General Electric Cap Corp | AA3 | 4/10/2012 | 474,615 | * |
| Bank of America | AA2 | 8/15/2011 | <u>1,076,291</u> | * |
| | | | <u>\$ 9,277,423</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, 2011, \$1,962,560 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, 2011 are as follows:

| | |
|--------------------------------------|----------------------|
| Total investments | \$ 9,277,423 |
| Cash on hand | 1,700 |
| Deposits with financial institutions | <u>2,270,727</u> |
| Total deposits and investments | <u>\$ 11,549,850</u> |

B. Cash and investments by fund:

Governmental activities/funds

| | |
|--------------------------|----------------|
| General | \$ 2,209,597 |
| State Tax Street | 1,695,172 |
| Other governmental funds | <u>699,493</u> |

Total governmental activities/funds 4,604,262

Business-type activities / Proprietary funds

Enterprise funds

| | |
|-------|------------------|
| Water | 3,326,227 |
| Sewer | <u>3,603,365</u> |

Total enterprise funds 6,929,592

Internal service 15,996

Total business-type activities 6,945,588

Total cash and investments \$ 11,549,850

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables

A. The City's receivables at June 30, 2011 are shown below:

| | <u>Governmental Activities/Funds</u> | | | | | <u>Totals</u> |
|---------------------------------|--------------------------------------|------------------|---------------------|-----------------------------------|--------------------|--------------------|
| | <u>General</u> | <u>Other</u> | | <u>Business-type Activities /</u> | | |
| | | <u>State Tax</u> | <u>Governmental</u> | <u>Proprietary Funds</u> | | |
| | | <u>Street</u> | <u>Funds</u> | <u>Water</u> | <u>Sewer</u> | |
| Accounts | \$ 145,398 | \$ - | \$ 114,478 | \$373,274 | \$1,130,266 | \$1,763,416 |
| System development charges | - | 42,992 | - | - | - | 42,992 |
| Property assessments | 4,474 | - | - | - | 389,814 | 394,288 |
| Property taxes | 153,313 | - | - | - | - | 153,313 |
| Interest | 21,330 | - | - | 5,118 | - | 26,448 |
| Other | 44,994 | - | - | 840 | 2,250 | 48,084 |
| Fines | 2,024,476 | - | - | - | - | 2,024,476 |
| Allowance for doubtful accounts | (1,965,100) | - | - | - | - | (1,965,100) |
| | <u>\$ 428,885</u> | <u>\$42,992</u> | <u>\$ 114,478</u> | <u>\$379,232</u> | <u>\$1,522,330</u> | <u>\$2,487,917</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, 2010 | 2010-11 Levy | Adjustments | Net Interest (Discounts) | Collections | Balances June 30, 2011 |
|---------|-----------------------------|---------------------|--------------------|--------------------------------|---|------------------------------|
| Current | \$ - | \$ 1,519,567 | \$ (9,736) | \$ (35,962) | \$ 1,398,458 | \$ 75,411 |
| Prior | <u>144,572</u> | <u>-</u> | <u>(7,693)</u> | <u>9,944</u> | <u>68,921</u> | <u>77,902</u> |
| | <u>\$ 144,572</u> | <u>\$ 1,519,567</u> | <u>\$ (17,429)</u> | <u>\$ (26,018)</u> | <u>\$ 1,467,379</u> | <u>\$ 153,313</u> |
| | | | | | Collections received with sixty days of year end in the prior year: (33,188) | |
| | | | | | Collections received with sixty days of year end in the current year: <u>34,610</u> | |
| | | | | | <u>\$ 1,468,801</u> | |

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, 2011 of the governmental activities were as follows:

| | <u>July 1, 2010</u> | <u>Additions</u> | <u>June 30, 2011</u> |
|---|----------------------|-------------------|----------------------|
| Capital assets not being depreciated | | | |
| Land | \$ 1,825,771 | \$ 196,248 | \$ 2,022,019 |
| Right of way | 5,259,111 | - | 5,259,111 |
| Library collection | 1,297,493 | - | 1,297,493 |
| | <u>8,382,375</u> | <u>196,248</u> | <u>8,578,623</u> |
| Total capital assets not being depreciated | | | |
| Capital assets being depreciated | | | |
| Buildings and improvements | 4,451,319 | 246,805 | 4,698,124 |
| Equipment | 1,551,719 | 300,052 | 1,851,771 |
| Infrastructure | 5,323,693 | 143,648 | 5,467,341 |
| | <u>11,326,731</u> | <u>690,505</u> | <u>12,017,236</u> |
| Total capital assets being depreciated | | | |
| Less accumulated depreciation for | | | |
| Buildings and improvements | 1,955,498 | 111,443 | 2,066,941 |
| Equipment | 876,369 | 141,263 | 1,017,632 |
| Infrastructure | 931,568 | 162,257 | 1,093,825 |
| | <u>3,763,435</u> | <u>414,963</u> | <u>4,178,398</u> |
| Total accumulated depreciation | | | |
| Total capital assets being depreciated, net | <u>7,563,296</u> | <u>275,542</u> | <u>7,838,838</u> |
| Governmental activities capital assets, net | <u>\$ 15,945,671</u> | <u>\$ 471,790</u> | <u>\$ 16,417,461</u> |

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

| | |
|--|-------------------|
| General government | \$ 3,683 |
| Public safety | 59,180 |
| Highways and streets | 239,324 |
| Culture and recreation | <u>112,776</u> |
| Total governmental activities depreciation expense | <u>\$ 414,963</u> |

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Capital assets (continued)

C. Transactions for the year ended June 30, 2011 of the business-type activities were as follows:

| | July 1, 2010 | Additions | Deletions | Adjustments and Reclassifi- cations | June 30, 2011 |
|--|---------------|--------------|--------------|--|---------------|
| Capital assets not being depreciated | | | | | |
| Land | \$ 1,006,535 | \$ - | \$ - | \$ - | \$ 1,006,535 |
| Construction in progress | 4,363,563 | 2,747,580 | - | (3,914,418) | 3,196,725 |
| Total capital assets not being depreciated | 5,370,098 | 2,747,580 | - | (3,914,418) | 4,203,260 |
| Capital assets being depreciated | | | | | |
| Buildings and improvements | 20,308,576 | - | - | 1,875,986 | 22,184,562 |
| Equipment | 5,844,892 | 371,682 | (83,844) | 1,132,782 | 7,265,512 |
| Infrastructure | 13,824,463 | 10,505 | - | 905,650 | 14,740,618 |
| Total capital assets being depreciated | 39,977,931 | 382,187 | (83,844) | 3,914,418 | 44,190,692 |
| Less accumulated depreciation | | | | | |
| Buildings and improvements | 6,404,350 | 635,508 | - | - | 7,039,858 |
| Equipment | 3,105,091 | 277,798 | (83,844) | - | 3,299,045 |
| Infrastructure | 6,955,679 | 243,806 | - | - | 7,199,485 |
| Total accumulated depreciation | 16,465,120 | 1,157,112 | (83,844) | - | 17,538,388 |
| Total capital assets being depreciated, net | 23,512,811 | (774,925) | (167,688) | 3,914,418 | 26,652,304 |
| Business-type activities capital assets, net | \$ 28,882,909 | \$ 1,972,655 | \$ (167,688) | \$ - | \$ 30,855,564 |

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

| | |
|---|--------------|
| Water | \$ 789,157 |
| Sewer | 355,653 |
| Depreciation charged to Internal Service Fund | 12,302 |
| Total business-type activities depreciation expense | \$ 1,157,112 |

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 | State Street | Other | |
| | | Tax | Governmental Funds | |
| Property taxes | \$ 118,703 | \$ - | \$ - | \$ 118,703 |
| System development charges | - | 42,992 | - | 42,992 |
| Accounts | - | - | 80,932 | 80,932 |
| Fines - net of allowance for doubtful accounts | 101,224 | - | - | 101,224 |
| | \$ 219,927 | \$ 42,992 | \$ 80,932 | \$ 343,851 |

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Long-term obligations

A. Transactions for the year ended June 30, 2011 of the governmental activities were as follows:

| | Balances July 1, 2010 | Additions | Reductions | Balances June 30, 2011 | 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 | \$ 127,393 | \$ - | \$ 45,151 | \$ 82,242 | \$ 47,522 |
| Interest | 6,505 | 4,382 | 6,688 | 4,199 | |
| | <u>133,898</u> | <u>4,382</u> | <u>51,839</u> | <u>86,441</u> | |
| <u>Compensated absences</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 | | | | | |
| | <u>195,545</u> | <u>188,189</u> | <u>195,545</u> | <u>188,189</u> | <u>188,189</u> |
| Total governmental activities long-term obligations | 329,443 | 192,571 | 247,384 | 274,630 | <u>\$ 235,711</u> |
| Accrued interest | 6,505 | 4,382 | 6,688 | 4,199 | |
| Principal | <u>\$ 322,938</u> | <u>\$ 188,189</u> | <u>\$ 240,696</u> | <u>\$ 270,431</u> | |

B. Transactions for the year ended June 30, 2011 of the business-type activities were as follows:

| | Balances July 1, 2010 | Additions | Reductions | Balances June 30, 2011 | Balances Due Within One Year |
|---|--------------------------|----------------|----------------|---------------------------|------------------------------------|
| <u>Loans:</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 | \$ 348,294 | \$ - | \$ 73,417 | \$ 274,877 | \$ 75,636 |
| Interest | 3,436 | 9,542 | 9,902 | 3,076 | |
| | <u>351,730</u> | <u>9,542</u> | <u>83,319</u> | <u>277,953</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 | 3,476,797 | - | 120,293 | 3,356,504 | 120,953 |
| Interest | 82,429 | 140,331 | 142,591 | 80,169 | |
| | <u>3,559,226</u> | <u>140,331</u> | <u>262,884</u> | <u>3,436,673</u> | |

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Long-term obligations (continued)

B. Transactions for the year ended June 30, 2011 of the business-type activities were as follows (continued):

| <u>Loans: (continued)</u> | Balances July 1, 2010 | Additions | Reductions | Balances June 30, 2011 | Balances Due Within One Year |
|---|--------------------------|---------------------|-------------------|---------------------------|------------------------------------|
| 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 | \$ 3,405,390 | \$ - | \$ 161,999 | \$ 3,243,391 | \$ 167,717 |
| Interest | 69,492 | 116,904 | 120,210 | 66,186 | |
| | <u>3,474,882</u> | <u>116,904</u> | <u>282,209</u> | <u>3,309,577</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 | 2,021,166 | 31,834 | - | 2,053,000 | 58,351 |
| Interest | 113,788 | 31,428 | - | 145,216 | |
| | <u>2,134,954</u> | <u>63,262</u> | <u>-</u> | <u>2,198,216</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 | 2,540,728 | - | 3,891,520 | 2,050,000 |
| 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 | 58,405 | - | 170,665 | - |
| Interest | - | 2,133 | - | 2,133 | |
| | <u>112,260</u> | <u>60,538</u> | <u>-</u> | <u>172,798</u> | |
| <u>Compensated absences</u> | <u>195,857</u> | <u>115,511</u> | <u>195,857</u> | <u>115,511</u> | <u>115,511</u> |
| Total business-type activities long-term obligations | 11,179,701 | 3,046,816 | 824,269 | 13,402,248 | <u>\$ 2,588,168</u> |
| Accrued interest | 269,145 | 300,338 | 272,703 | 296,780 | |
| Principal | <u>\$ 10,910,556</u> | <u>\$ 2,746,478</u> | <u>\$ 551,566</u> | <u>\$ 13,105,468</u> | |

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Long-term obligations (continued)

C. Future maturities for governmental activities long-term obligations outstanding as of June 30, 2011 are as follows:

| Fiscal Year | Dahlgren Land Sale Contract | | Compensated Absences | Totals | |
|-------------|-----------------------------|-----------------|----------------------|-------------------|-----------------|
| | Principal | Interest | | Principal | Interest |
| 2012 | \$ 47,522 | \$ 4,318 | \$ 188,189 | \$ 235,711 | \$ 4,318 |
| 2013 | 34,720 | 1,020 | - | 34,720 | 1,020 |
| | <u>\$ 82,242</u> | <u>\$ 5,338</u> | <u>\$ 188,189</u> | <u>\$ 270,431</u> | <u>\$ 5,338</u> |

D. Future maturities for business-type activities long-term obligations outstanding as of June 30, 2011 are as follows.

| Fiscal Year | Loans | | | | | | | |
|-------------|-------------------|------------------|---------------------|---------------------|---------------------|-------------------|---------------------|-------------------|
| | ODEQ | | OECDD, ref. G04004 | | OECDD, ref. S04004 | | ODEQ ref. R80161 | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2012 | \$ 75,636 | \$ 7,683 | \$ 120,953 | \$ 138,681 | \$ 167,717 | \$ 114,492 | \$ 58,351 | \$ 177,431 |
| 2013 | 77,922 | 5,397 | 126,686 | 134,448 | 173,638 | 108,571 | 119,067 | 52,859 |
| 2014 | 80,277 | 3,042 | 132,445 | 130,014 | 179,767 | 102,442 | 122,291 | 49,637 |
| 2015 | 41,042 | 616 | 138,231 | 125,378 | 186,113 | 96,096 | 125,603 | 46,325 |
| 2016 | - | - | 144,044 | 120,540 | 192,683 | 89,526 | 129,005 | 42,923 |
| 2017-21 | - | - | 784,687 | 517,684 | 1,070,368 | 340,676 | 699,360 | 160,280 |
| 2022-26 | - | - | 969,579 | 342,360 | 1,273,105 | 137,938 | 799,323 | 60,316 |
| 2027-31 | - | - | 939,879 | 108,382 | - | - | - | - |
| | <u>\$ 274,877</u> | <u>\$ 16,738</u> | <u>\$ 3,356,504</u> | <u>\$ 1,617,487</u> | <u>\$ 3,243,391</u> | <u>\$ 989,741</u> | <u>\$ 2,053,000</u> | <u>\$ 589,771</u> |

| Fiscal Year | Loans | | | | | | |
|-------------|---------------------|-------------|-------------------|-----------------|----------------------|----------------------|---------------------|
| | ODEQ ref. R06801 | | ODEQ ref. R80162 | | Compensated Absences | Totals | |
| | Principal | Interest | Principal | Interest | | Principal | Interest |
| 2011 | \$ 2,050,000 | \$ - | \$ - | \$ - | \$ 115,511 | \$ 2,588,168 | \$ 438,287 |
| 2012 | 100,000 | - | - | - | - | 597,313 | 301,275 |
| 2013 | 100,000 | - | 18,494 | 2,283 | - | 633,274 | 287,418 |
| 2014 | 100,000 | - | 37,335 | 1,786 | - | 628,324 | 270,201 |
| 2015 | 100,000 | - | 37,803 | 1,318 | - | 603,535 | 254,307 |
| 2016-20 | 500,000 | - | 77,033 | 1,208 | - | 3,131,448 | 1,019,848 |
| 2021-25 | 500,000 | - | - | - | - | 3,542,007 | 540,614 |
| 2026-30 | 441,520 | - | - | - | - | 1,381,399 | 108,382 |
| | <u>\$ 3,891,520</u> | <u>\$ -</u> | <u>\$ 170,665</u> | <u>\$ 6,595</u> | <u>\$ 115,511</u> | <u>\$ 13,105,468</u> | <u>\$ 3,220,332</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.

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 12.37 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, 2011, 2010, and 2009, were equal to the City's required contributions for each year as follows:

| Year Ended June 30, | City Contribution | City Paid Member Contribution | Totals |
|------------------------|----------------------|-------------------------------------|------------|
| 2011 | \$ 596,981 | \$ 255,817 | \$ 852,798 |
| 2010 | 589,527 | 251,652 | 841,179 |
| 2009 | 728,038 | 252,847 | 980,885 |

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Interfund transfers

Interfund transfers during the year ended June 30, 2011 were as follows:

| <u>Fund Type</u> | <u>Transfers</u> | |
|--------------------------|------------------|-----------------|
| | <u>In</u> | <u>Out</u> |
| General | \$ 4,068 | \$ - |
| Other governmental funds | - | 4,068 |
| | <u>\$ 4,068</u> | <u>\$ 4,068</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:

| CONDENSED STATEMENT OF NET ASSETS | Water | Sewer |
|---|---------------|---------------|
| Assets | | |
| Current assets | \$ 3,767,902 | \$ 4,780,353 |
| Capital assets | 16,871,812 | 13,884,893 |
| Total assets | 20,639,714 | 18,665,246 |
| Liabilities | | |
| Current liabilities | 655,762 | 2,902,442 |
| Long-term obligations | 6,311,225 | 4,206,075 |
| Total liabilities | 6,966,987 | 7,108,517 |
| Net assets | | |
| Invested in capital assets, net of related debt | 10,271,917 | 7,494,831 |
| Restricted | 266,623 | 2,736,885 |
| Unrestricted | 3,134,187 | 1,325,013 |
| Total net assets | \$ 13,672,727 | \$ 11,556,729 |

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

| | | |
|---|---------------|---------------|
| Operating revenues (pledged against bonds) | \$ 2,172,312 | \$ 3,966,224 |
| Operating expenses (excluding depreciation) | 2,370,751 | 3,286,000 |
| Depreciation | 789,158 | 355,654 |
| Operating (loss) | (987,597) | 324,570 |
| Nonoperating revenues (expenses) | 160,783 | 119,092 |
| Change in net assets | (826,814) | 443,662 |
| Beginning net assets | 14,499,541 | 11,113,067 |
| Ending net assets | \$ 13,672,727 | \$ 11,556,729 |

CONDENSED SYSTEM OF CASH FLOWS

| | | |
|--|--------------|--------------|
| Net cash provided by (used in) | | |
| Operating activities | \$ (222,710) | \$ 50,603 |
| Capital and related financing activities | (656,727) | (115,600) |
| Investing activities | 360,931 | 24,698 |
| Net (decrease) in cash | (518,506) | (40,299) |
| Beginning cash | 3,844,733 | 3,643,664 |
| Ending cash | \$ 3,326,227 | \$ 3,603,365 |

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Contingencies - earned sick leave

Portions of accumulated sick leave 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, 2011, City employees had accumulated 2,222 days of sick leave. Additionally eligible retirees of the City are allowed to request to have accumulated sick leave up to 960 hours deposited into their Voluntary Employee Benefit Association (VEBA) account. As of June 30, 2011 \$154,671 of sick leave has been earned by eligible retirees and could be converted to their VEBA account upon retirement.

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 | \$ 41,186 |
| State tax street | <u>1,134,811</u> |
| Total governmental activities | <u>\$ 1,175,997</u> |

Business-type activities:

| | |
|--------------------------------|---------------------|
| Water | \$ 528,954 |
| Sewer | <u>1,745,207</u> |
| Total business-type activities | <u>\$ 2,274,161</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> |
|---|-------------------|

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

13. Governmental Fund Balances

A. Categories

Fund balances for governmental funds have been reported in the categories of nonspendable, restricted, committed, assigned and unassigned. The specific purposes for these amounts are as follows:

| Fund balances: | <u>General</u> | <u>State Street Tax</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|----------------------------|---------------------|-----------------------------|---|---------------------|
| Nonspendable: | | | | |
| Inventory | \$ - | \$ 50,178 | \$ - | \$ 50,178 |
| Prepays | 25,040 | - | - | 25,040 |
| Restricted for: | | | | |
| Capital projects | 41,186 | 1,134,811 | - | 1,175,997 |
| Community development | - | - | 18,467 | 18,467 |
| Tourism | - | - | 279,812 | 279,812 |
| Highways and streets | - | 524,042 | - | 524,042 |
| Grant programs | 112,417 | - | - | 112,417 |
| Other purposes | 35,582 | - | 71,692 | 107,274 |
| Committed for: | | | | |
| Arts commission | 36,432 | - | - | 36,432 |
| Parks capital | 90,048 | - | - | 90,048 |
| Library facilities | 298,644 | - | - | 298,644 |
| Assigned for: | | | | |
| Parks playground | 6,632 | - | - | 6,632 |
| Library equipment | 48,000 | - | - | 48,000 |
| Capital projects | - | - | 350,000 | 350,000 |
| Unassigned: | <u>1,369,407</u> | <u>-</u> | <u>(110)</u> | <u>1,369,297</u> |
| Total fund balances | <u>\$ 2,063,388</u> | <u>\$ 1,709,031</u> | <u>\$ 719,861</u> | <u>\$ 4,492,280</u> |

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

14. 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 (ODEQ) 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 (OECDD) loan numbers G04004 and S04004.

In addition to pledged revenues, the OECDD 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 for the Water system for the fiscal year was \$184,438, while 120% of the debt service for the fiscal year was \$654,112.

The ODEQ 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 \$700,749, while 105% of the debt service requirement was \$87,485. The loans for the 2003/2004 I & I Correction Projects, the Wastewater I & I Infiltration Reduction, and the Wastewater Facilities Planning also require Sewer rates and fees sufficient to generate net operating revenues in excess of debt service requirements. However, until these loans enter repayment the annual debt service requirement is not established.

15. Deficit fund balance

As of June 30, 2011, the Community Development Fund has a deficit fund balance of \$110. The deficit will be eliminated in the subsequent year.

15. Prior period adjustment

During the fiscal year \$42,992 was recorded as a prior period adjustment based on reclassification of Street System Development Charges determined to be contractually obligated to be held for deposit on performance of specific development activities.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF ST. HELENS

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS**

June 30, 2011

| | Special Revenue | Capital Projects Water System Improvement Reserve | Totals |
|---|--------------------|---|-------------------|
| <u>ASSETS</u> | | | |
| Cash and investments | \$ 349,493 | \$ 350,000 | \$ 699,493 |
| Receivables | 114,478 | - | 114,478 |
| TOTAL ASSETS | \$ 463,971 | \$ 350,000 | \$ 813,971 |
| <u>LIABILITIES</u> | | | |
| Accounts payable and accrued expenses | \$ 13,178 | \$ - | \$ 13,178 |
| Deferred revenue | 80,932 | - | 80,932 |
| TOTAL LIABILITIES | 94,110 | - | 94,110 |
| <u>FUND BALANCE</u> | | | |
| Restricted | 369,971 | - | 369,971 |
| Assigned | - | 350,000 | 350,000 |
| Unassigned | (110) | - | (110) |
| TOTAL FUND BALANCE | 369,861 | 350,000 | 719,861 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 463,971 | \$ 350,000 | \$ 813,971 |

CITY OF ST. HELENS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011**

| | Special Revenue | Capital Projects Water System Improvement Reserve | Totals |
|---|--------------------|---|-------------------|
| REVENUES | | | |
| Licenses and permits | \$ 115,275 | \$ - | \$ 115,275 |
| Transient room tax | 71,055 | - | 71,055 |
| Intergovernmental | 158,434 | - | 158,434 |
| Interest | - | 4,068 | 4,068 |
| Miscellaneous | 8,125 | - | 8,125 |
| TOTAL REVENUES | 352,889 | 4,068 | 356,957 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 105,581 | - | 105,581 |
| Public safety | 62,903 | - | 62,903 |
| Culture and recreation | 228,304 | - | 228,304 |
| Debt service | 10,000 | - | 10,000 |
| Capital outlay | 33,695 | - | 33,695 |
| TOTAL EXPENDITURES | 440,483 | - | 440,483 |
| Excess (deficiency) of revenues over expenditures | (87,594) | 4,068 | (83,526) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | - | (4,068) | (4,068) |
| Net change in fund balances | (87,594) | - | (87,594) |
| Fund balances at beginning of year | 457,455 | 350,000 | 807,455 |
| Fund balances at end of year | <u>\$ 369,861</u> | <u>\$ 350,000</u> | <u>\$ 719,861</u> |

CITY OF ST. HELENS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
June 30, 2011

| | Building | St. Helens Visitors and Tourism | State Revenue Sharing | Community Development | Totals |
|---|------------------|---------------------------------------|--------------------------|--------------------------|-------------------|
| <u>ASSETS</u> | | | | | |
| Cash and investments | \$ 25,911 | \$ 278,725 | \$ 48,750 | \$ (3,893) | \$ 349,493 |
| Receivables, net | - | 6,821 | 22,942 | 84,715 | 114,478 |
| TOTAL ASSETS | \$ 25,911 | \$ 285,546 | \$ 71,692 | \$ 80,822 | \$ 463,971 |
| <u>LIABILITIES</u> | | | | | |
| Accounts payable and accrued expenses | \$ 7,444 | \$ 5,734 | \$ - | \$ - | \$ 13,178 |
| Deferred revenue | - | - | - | 80,932 | 80,932 |
| TOTAL LIABILITIES | 7,444 | 5,734 | - | 80,932 | 94,110 |
| <u>FUND BALANCE</u> | | | | | |
| Restricted | 18,467 | 279,812 | 71,692 | - | 369,971 |
| Unassigned | - | - | - | (110) | (110) |
| TOTAL FUND BALANCE | 18,467 | 279,812 | 71,692 | (110) | 369,861 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 25,911 | \$ 285,546 | \$ 71,692 | \$ 80,822 | \$ 463,971 |

CITY OF ST. HELENS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2011**

| | Building | 911 Emergency | St. Helens Visitors and Tourism | State Revenue Sharing | Community Development | Totals |
|-----------------------------------|------------------|------------------|---------------------------------------|-----------------------------|--------------------------|-------------------|
| REVENUES | | | | | | |
| Licenses and permits | \$ 115,275 | \$ - | \$ - | \$ - | \$ - | \$ 115,275 |
| Transient room tax | - | - | 71,055 | - | - | 71,055 |
| Intergovernmental | - | 62,903 | - | 95,531 | - | 158,434 |
| Interest | - | - | - | - | - | - |
| Miscellaneous | 820 | - | 625 | - | 6,680 | 8,125 |
| TOTAL REVENUES | <u>116,095</u> | <u>62,903</u> | <u>71,680</u> | <u>95,531</u> | <u>6,680</u> | <u>352,889</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General government | 105,581 | - | - | - | - | 105,581 |
| Public safety | - | 62,903 | - | - | - | 62,903 |
| Culture and recreation | - | - | 81,692 | 139,932 | 6,680 | 228,304 |
| Debt service | 10,000 | - | - | - | - | 10,000 |
| Capital outlay | - | - | - | - | 33,695 | 33,695 |
| TOTAL EXPENDITURES | <u>115,581</u> | <u>62,903</u> | <u>81,692</u> | <u>139,932</u> | <u>40,375</u> | <u>440,483</u> |
| Net change in fund balance | 514 | - | (10,012) | (44,401) | (33,695) | (87,594) |
| Fund balance at beginning of year | <u>17,953</u> | <u>-</u> | <u>289,824</u> | <u>116,093</u> | <u>33,585</u> | <u>457,455</u> |
| Fund balance at end of year | <u>\$ 18,467</u> | <u>\$ -</u> | <u>\$ 279,812</u> | <u>\$ 71,692</u> | <u>\$ (110)</u> | <u>\$ 369,861</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, 2011**

| | Budget | Actual | Variance |
|---|----------------|------------------|------------------|
| REVENUES | | | |
| Licenses and permits | \$ 111,808 | \$ 115,275 | \$ 3,467 |
| Miscellaneous | 100 | 820 | 720 |
| TOTAL REVENUES | <u>111,908</u> | <u>116,095</u> | <u>4,187</u> |
| EXPENDITURES | | | |
| Personal services | 87,167 | 79,215 | 7,952 |
| Materials and services | 40,381 | 36,366 | 4,015 |
| Contingency | 4,371 | - | 4,371 |
| TOTAL EXPENDITURES | <u>131,919</u> | <u>115,581</u> | <u>16,338</u> |
| Excess (deficiency) of revenues over expenditures | (20,011) | 514 | 20,525 |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from long-term obligations | 10,000 | - | (10,000) |
| Net change in fund balance | (10,011) | 514 | 10,525 |
| Fund balance at beginning of year | 10,011 | 17,953 | 7,942 |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ 18,467</u> | <u>\$ 18,467</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, 2011**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-----------------------------------|---------------|---------------|-----------------|
| REVENUES | | | |
| Intergovernmental | \$ 65,000 | \$ 62,903 | \$ (2,097) |
| EXPENDITURES | | | |
| Materials and services | <u>65,000</u> | <u>62,903</u> | <u>2,097</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> |

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, 2011**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-----------------------------------|--------------------------|-----------------------|-----------------------|
| REVENUES | | | |
| Transient room tax | \$ 70,000 | \$ 71,055 | \$ 1,055 |
| Miscellaneous | <u> -</u> | <u> 625</u> | <u> 625</u> |
| TOTAL REVENUES | <u>70,000</u> | <u>71,680</u> | <u>1,680</u> |
| EXPENDITURES | | | |
| Materials and services | 87,000 | 81,692 | 5,308 |
| Contingency | <u>28,000</u> | <u> -</u> | <u>28,000</u> |
| TOTAL EXPENDITURES | <u>115,000</u> | <u>81,692</u> | <u>33,308</u> |
| Net change in fund balance | (45,000) | (10,012) | 34,988 |
| Fund balance at beginning of year | <u>45,000</u> | <u>289,824</u> | <u>244,824</u> |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ 279,812</u> | <u>\$ 279,812</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, 2011**

| | Budget | Actual | Variance |
|-----------------------------------|------------|-----------|------------|
| REVENUES | | | |
| Intergovernmental | \$ 104,962 | \$ 95,531 | \$ (9,431) |
| EXPENDITURES | | | |
| Materials and services | 142,500 | 139,932 | 2,568 |
| Contingency | 88,246 | - | 88,246 |
| TOTAL EXPENDITURES | 230,746 | 139,932 | 90,814 |
| Net change in fund balance | (125,784) | (44,401) | 81,383 |
| Fund balance at beginning of year | 125,784 | 116,093 | (9,691) |
| Fund balance at end of year | \$ - | \$ 71,692 | \$ 71,692 |

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, 2011**

| | Original and Final Budget | Actual | Variance |
|-----------------------------------|---------------------------------|-----------------|------------------|
| REVENUES | | | |
| Intergovernmental | \$ 50,000 | \$ - | \$ (50,000) |
| Miscellaneous | <u>56,822</u> | <u>6,680</u> | <u>(50,142)</u> |
| TOTAL REVENUES | <u>106,822</u> | <u>6,680</u> | <u>(100,142)</u> |
| EXPENDITURES | | | |
| Materials and services | 56,822 | 6,680 | 50,142 |
| Capital outlay | <u>50,000</u> | <u>33,695</u> | <u>16,305</u> |
| TOTAL EXPENDITURES | <u>106,822</u> | <u>40,375</u> | <u>66,447</u> |
| Net change in fund balance | - | (33,695) | (33,695) |
| Fund balance at beginning of year | <u>-</u> | <u>33,585</u> | <u>33,585</u> |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ (110)</u> | <u>\$ (110)</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, 2011**

| | Budget | Actual | Variance |
|---------------------------------------|------------|------------|----------|
| REVENUES | | | |
| Interest | \$ 5,000 | 4,068 | \$ (932) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | (5,000) | (4,068) | 932 |
| 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, 2011**

| | Budget | Actual | Variance |
|---|------------------|----------------------|------------------|
| REVENUES | | | |
| Charges for services | \$ 2,347,810 | \$ 2,172,312 | \$ (175,498) |
| Interest | 20,000 | 26,421 | 6,421 |
| Miscellaneous | 85,000 | 57,086 | (27,914) |
| Watershed logging | 300,000 | 481,588 | 181,588 |
| TOTAL REVENUES | 2,752,810 | 2,737,407 | (15,403) |
| EXPENDITURES | | | |
| Personal services | 1,440,572 | 1,434,702 | 5,870 |
| Materials and services | 1,337,127 | 1,118,265 | 218,862 |
| Capital outlay | 1,159,000 | 111,633 | 1,047,367 |
| Debt service | 545,093 | 545,093 | - |
| Operating contingencies | 710,000 | - | 710,000 |
| TOTAL EXPENDITURES | 5,191,792 | 3,209,693 | 1,982,099 |
| Net change in fund balance | (2,438,982) | (472,286) | 1,966,696 |
| Fund balance at beginning of year | 2,438,982 | 4,064,431 | 1,625,449 |
| Fund balance at end of year | \$ - | 3,592,145 | \$ 3,592,145 |
| Reconciliation to generally accepted accounting principles | | | |
| Capital assets, net | | 16,871,812 | |
| Accrued interest payable | | (146,355) | |
| Compensated absences payable | | (44,980) | |
| Long-term obligations | | (6,599,895) | |
| Net assets - ending | | \$ 13,672,727 | |

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, 2011**

| | Budget | Actual | Variance |
|---------------------------------|------------------|------------------|------------------|
| REVENUES | | | |
| Charges for services | \$ 4,633,899 | \$ 3,966,224 | \$ (667,675) |
| Interest | 42,535 | 24,698 | (17,837) |
| Miscellaneous | 108,832 | 173,572 | 64,740 |
| TOTAL REVENUES | 4,785,266 | 4,164,494 | (620,772) |
| EXPENDITURES | | | |
| Collection sewer services | | | |
| Personal services | 1,232,414 | 1,215,410 | 17,004 |
| Materials and services | 598,492 | 578,563 | 19,929 |
| Capital outlay | 5,827,000 | 2,216,270 | 3,610,730 |
| Debt service | 419,409 | 83,318 | 336,091 |
| Total collection sewer services | 8,077,315 | 4,093,561 | 3,983,754 |
| Secondary sewer service | | | |
| Personal services | 490,018 | 468,511 | 21,507 |
| Materials and services | 488,400 | 345,154 | 143,246 |
| Capital outlay | 115,000 | 17,151 | 97,849 |
| Total secondary sewer service | 1,093,418 | 830,816 | 262,602 |
| Primary sewer service | | | |
| Personal services | 343,714 | 333,150 | 10,564 |
| Materials and services | 698,960 | 185,613 | 513,347 |
| Capital outlay | 981,000 | 624,827 | 356,173 |
| Total primary sewer service | 2,023,674 | 1,143,590 | 880,084 |

Continued on page 47

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> |
|---|-----------------------|--------------------------|-------------------------|
| EXPENDITURES (continued) | | | |
| Stormwater sewer services | | | |
| Personal services | \$ 247,467 | \$ 241,205 | \$ 6,262 |
| Materials and services | 101,680 | 96,139 | 5,541 |
| Capital outlay | <u>900,000</u> | <u>27,351</u> | <u>872,649</u> |
| Total stormwater sewer services | <u>1,249,147</u> | <u>364,695</u> | <u>884,452</u> |
| Contingency | <u>530,000</u> | <u>-</u> | <u>530,000</u> |
| TOTAL EXPENDITURES | <u>12,973,554</u> | <u>6,432,662</u> | <u>6,540,892</u> |
| Excess (deficiency) of revenues over expenditures | (8,188,288) | (2,268,168) | 5,920,120 |
| OTHER FINANCING SOURCES | | | |
| Loan proceeds | <u>6,600,000</u> | <u>2,630,967</u> | <u>(3,969,033)</u> |
| Net change in fund balance | (1,588,288) | 362,799 | 1,951,087 |
| Fund balance at beginning of year | <u>1,588,288</u> | <u>3,603,007</u> | <u>2,014,719</u> |
| Fund balance at end of year | <u>\$ -</u> | 3,965,806 | <u>\$ 3,965,806</u> |
| Reconciliation to generally accepted accounting principles | | | |
| Capital assets, net | | 13,884,893 | |
| Deferred revenue | | 317,048 | |
| Accrued interest payable | | (150,425) | |
| Compensated absences payable | | (70,531) | |
| Long-term obligations | | <u>(6,390,062)</u> | |
| Net assets - ending | | <u>\$ 11,556,729</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, 2011**

| | Budget | Actual | Variance |
|---|-----------|------------|-----------|
| REVENUES | | | |
| Charges for interfund services | | | |
| Street | \$ 61,633 | \$ 61,633 | \$ - |
| Water | 73,960 | 73,960 | - |
| Storm drain | 12,327 | 12,327 | - |
| Sewer | 36,980 | 36,980 | - |
| Secondary sewer | 36,980 | 36,980 | - |
| Primary sewer | 24,653 | 24,653 | - |
| Total charges for interfund services | 246,533 | 246,533 | - |
| EXPENDITURES | | | |
| Personal services | 177,303 | 174,663 | 2,640 |
| Materials and services | 74,637 | 58,726 | 15,911 |
| Capital outlay | 10,000 | - | 10,000 |
| Contingency | 20,000 | - | 20,000 |
| TOTAL EXPENDITURES | 281,940 | 233,389 | 48,551 |
| Net change in fund balance | (35,407) | 13,144 | 48,551 |
| Fund balance at beginning of year | 35,407 | 7,482 | (27,925) |
| Fund balance at end of year | \$ - | 20,626 | \$ 20,626 |
| Reconciliation to generally accepted accounting principles | | | |
| Capital assets, net | | 98,859 | |
| Net assets - ending | | \$ 119,485 | |

**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, 2011, and have issued our report thereon dated January 5, 2012. 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.

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

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.

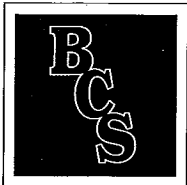
Boldt, Carlisle & Smith LLC

Certified Public Accountants

Salem, Oregon

January 5, 2012

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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 5, 2012. 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.

**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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (see findings 2011-1 and 2011-2). 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.

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*.

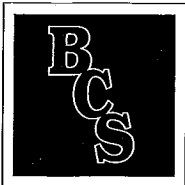
This report is intended for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Boldt, Carlisle & Smith, LLC

Certified Public Accountants

Salem, Oregon

January 5, 2012



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

January 5, 2012

CITY OF ST. HELENS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

Section I Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal controls over financial reporting:

 Material weakness(es) identified? No

 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: *Unqualified*

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> |
| 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

2011 - 1 Controls over utility billing rates

- Criteria: Controls should be in place to limit the ability of staff to set and adjust billing rates in the utility billing system.
- Condition: The Utility Billing Clerks have access to setup and change the billing rate applied to a customers billing calculation.
- Cause: Utility Billing Clerks could make adjustments to billing rates outside the review and control of the monitoring procedures establish to ensure accurate billings to customers.
- Effect: The City could over or under bill customers if the billing rates were modified.
- Response: Security in Springbrook Software will be updated in January 2012 to only allow the Accounting Assistance and the Finance Director the authority to update the rate tables.

2011 - 2 Reimbursements recorded as negative expenditures.

- Criteria: Certain departments of the City have found specific resources to support expenditures of their department.
- Condition: We noted receipts that had been recorded as negative expenditures instead of being accounted for as revenues.
- Cause: Department heads are allowed to direct the general ledger recording of the departments revenues and expenditures.
- Effect: Departments could spend certain line items in excess of budgeted expenditures when receipts are offsetting the actual expenditures of the City. Management would not have the opportunity to make decisions on the use of receipts that were not recorded as
- Response: The Finance Director has already emphasized to the City Department Heads that reimbursement receipts would only be applied on a limited basis to expenditure lines. In January 2012, the Finance Director will implement further written guidelines requiring all reimbursements that may have valid justification to be applied to expenditures be signed off by the Finance Director before being recorded.

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, 2011

| | Federal CFDA Number | Expenditures |
|---|------------------------------------|---------------------|
| DEPARTMENT OF HOMELAND SECURITY | | |
| <i>Passed through Oregon Military Department Office of Emergency Management</i> | | |
| State Homeland Security Grant Program | 97.073 | \$ 56,750 |
| DEPARTMENT OF THE INTERIOR | | |
| <i>Passed through Oregon State Marine Board</i> | | |
| Clean Vessel Act (CVA) | 15.616 | 525 |
| DEPARTMENT OF JUSTICE | | |
| <i>Passed through Tillamook County</i> | | |
| ARRA Rural Law Enforcement Assistance Combatting Rural Crime | 16.810 | 69,460 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 12,363 |
| Total Department of Justice | | 81,823 |
| ENVIRONMENTAL PROTECTION AGENCY | | |
| Office of Water | | |
| <i>Passed through Oregon Department of Environmental Quality</i> | | |
| Capitalization Grant for Clean Water State Revolving Funds | | |
| ARRA Wastewater Inflow and Infiltration Reduction | 66.458 | 2,122,218 |
| TOTAL FEDERAL EXPENDITURES | | \$ 2,261,316 |

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.