
THE TOWN OF HELENA

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Town of Helena, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each fund of the Town of Helena, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Helena. 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 *Governmental 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, and each fund of the Town of Helena, as of June 30, 2011, and the respective changes in financial position, and cash flows where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2012, on our consideration of the internal control over financial reporting of the Town of Helena 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 20 be presented to supplement the basic financial statements. Such information, although not 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.



Becky Fleming, C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
April 9, 2012

**TOWN OF HELENA
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

	Governmental Activities	Business-Type Activities	Totals June 30, 2011
ASSETS			
Current Assets			
Cash in bank	24,915	179,877	204,792
Investments	96,360	225,359	321,719
Revenue receivable	34,319	0	34,319
Accounts receivable	0	39,669	39,669
Allowance for doubtful accounts	0	(3,776)	(3,776)
Grants receivable	0	1,268	1,268
Internal balances	(10,123)	10,123	0
Total current assets	145,471	452,520	597,991
Noncurrent Assets			
Non-depreciable capital assets	18,715	98,715	117,430
Depreciable property and equipment	1,052,281	2,073,992	3,126,273
Accumulated depreciation	(577,638)	(984,464)	(1,562,102)
Total noncurrent assets	493,358	1,188,243	1,681,601
TOTAL ASSETS	638,829	1,640,763	2,279,592
LIABILITIES			
Current Liabilities			
Accounts payable	5,653	16,257	21,910
Accrued payroll liabilities	4,149	2,142	6,291
Accrued interest payable	0	2,812	2,812
Current portion of long-term debt	0	60,366	60,366
Total current liabilities	9,802	81,577	91,379
Noncurrent liabilities			
Meter deposits refundable	0	7,059	7,059
Long-term debt, less current portion	0	166,962	166,962
Total noncurrent liabilities	0	174,021	174,021
TOTAL LIABILITIES	9,802	255,598	265,400
NET ASSETS			
Invested in capital assets, net of debt	493,358	960,915	1,454,273
Unrestricted	135,669	424,250	559,919
TOTAL NET ASSETS	629,027	1,385,165	2,014,192

The accompanying notes are an integral part of these financial statements

**TOWN OF HELENA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Activities
Governmental activities:							
General government	(41,069)	2,845	0	0	(38,224)	0	(38,224)
Police department	(73,241)	1,279	0	0	(71,962)	0	(71,962)
Fire department	(33,471)	0	4,697	0	(28,774)	0	(28,774)
Street and alley department	(101,543)	208	5,811	30,000	(65,524)	0	(65,524)
Total governmental activities	(249,324)	4,332	10,508	30,000	(204,484)	0	(204,484)
Business-type activities:							
Administration department *	(47,547)	0	0	0	0	(47,547)	(47,547)
Sewer department **	(131,887)	153,320	0	0	0	21,433	21,433
Trash department	(40,270)	41,311	0	0	0	1,041	1,041
Water department	(97,871)	181,373	0	0	0	83,502	83,502
Total business-type activities	(317,575)	376,004	0	0	0	58,429	58,429
Total all activities	(566,899)	380,336	10,508	30,000	(204,484)	58,429	(146,055)
General revenues:							
					134,393	0	134,393
					26,941	0	26,941
					10,081	0	10,081
					2,202	10,190	12,392
					6,280	11,817	18,097
					34,987	(34,987)	0
					214,884	(12,980)	201,904
					10,400	45,449	55,849
					618,627	1,339,716	1,958,343
					629,027	1,385,165	2,014,192

* Includes interest of \$3,854

** Includes interest and fees of \$5,951

The accompanying notes are an integral part of these financial statements

**TOWN OF HELENA
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2011**

	<u>GENERAL FUND</u>
ASSETS	
Cash in bank	24,915
Investments	96,360
Revenue receivable	34,319
TOTAL ASSETS	<u>155,594</u>
LIABILITIES	
Accounts payable	5,653
Accrued payroll liabilities	4,149
Due to other funds	10,123
TOTAL LIABILITIES	<u>19,925</u>
FUND BALANCE	
Unassigned	135,669
TOTAL LIABILITIES AND FUND BALANCE	<u>155,594</u>
Reconciliation of fund balance to net assets of governmental activities:	
Fund balance	135,669
Capital assets	1,070,996
Accumulated depreciation	(577,638)
Net assets of governmental activities	<u>629,027</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF HELENA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>GENERAL FUND</u>
REVENUES	
Sales and use taxes	134,393
Franchise tax	26,941
Alcoholic beverage tax	10,081
Motor vehicle tax	3,169
Gas excise tax	2,642
Police fines	1,279
Other revenues	6,788
Rentals of town property	2,845
Interest income	2,202
Grants	<u>34,398</u>
TOTAL REVENUES	224,738
EXPENDITURES	
General government	26,863
Police department	68,466
Fire department	21,911
Street and alley department	64,388
Capital outlay	<u>61,283</u>
TOTAL EXPENDITURES	242,911
REVENUES (UNDER) EXPENDITURES	(18,173)
OTHER FINANCING SOURCES	
Transfers in	<u>34,987</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	16,814
BEGINNING FUND BALANCE	<u>118,855</u>
ENDING FUND BALANCE	<u><u>135,669</u></u>
Reconciliation of net change in fund balance to change in net assets of governmental activities:	
Net change in fund balances	16,814
Capital asset purchases capitalized	61,283
Depreciation expense	<u>(67,697)</u>
Change in Net Assets of Governmental Activities	<u><u>10,400</u></u>

The accompanying notes are an integral part of these financial statements

**TOWN OF HELENA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
AS OF JUNE 30, 2011**

	<u>ENTERPRISE FUND</u>
ASSETS	
Current Assets	
Cash in bank	179,877
Investments	225,359
Accounts receivable	39,669
Allowance for doubtful accounts	(3,776)
Grants receivable	1,268
Due from other funds	10,123
Total Current Assets	<u>452,520</u>
Noncurrent Assets	
Non-depreciable capital assets	98,715
Depreciable property and equipment	2,073,992
Accumulated depreciation	(984,464)
Total Property, Plant, and Equipment	<u>1,188,243</u>
TOTAL ASSETS	<u><u>1,640,763</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	16,257
Accrued payroll liabilities	2,142
Accrued interest payable	2,812
Current portion of long-term debt	60,366
Total Current Liabilities	<u>81,577</u>
Noncurrent Liabilities	
Meter deposits refundable	7,059
Long-term debt, less current portion	166,962
Total Noncurrent Liabilities	<u>174,021</u>
TOTAL LIABILITIES	<u>255,598</u>
NET ASSETS	
Invested in capital assets, net of debt	960,915
Unrestricted	424,250
TOTAL NET ASSETS	<u><u>1,385,165</u></u>

The accompanying notes are an integral part of these financial statements

**TOWN OF HELENA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>UTILITY FUND</u>
OPERATING REVENUES	
Sewer revenue	153,320
Trash revenue	41,311
Water revenue	181,373
Late payment penalties	2,400
Other revenues	683
Lagoon land rent	<u>2,625</u>
TOTAL OPERATING REVENUES	381,712
OPERATING EXPENSES	
Administration department	43,693
Sewer department	125,936
Trash department	40,270
Water department	<u>97,871</u>
TOTAL OPERATING EXPENSES	307,770
OPERATING INCOME	73,942
NON-OPERATING REVENUES (EXPENSES)	
Interest income	598
Gains on investments	9,591
Gain on sale of capital assets	6,111
Interest expense	(8,987)
Administrative fees	<u>(819)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	6,494
INCOME BEFORE TRANSFERS	80,436
TRANSFERS (OUT)	<u>(34,987)</u>
CHANGE IN NET ASSETS	45,449
BEGINNING NET ASSETS	<u>1,339,716</u>
ENDING NET ASSETS	<u><u>1,385,165</u></u>

The accompanying notes are an integral part of these financial statements

**TOWN OF HELENA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>UTILITY FUND</u>
Cash flows from operations:	
Cash received from:	
Customers	374,281
Cash payments for:	
Goods and services	(126,164)
Employees	<u>(80,847)</u>
Net cash provided from operations	167,270
Cash flows from capital financing activities:	
Equipment purchases	(99,150)
Equipment sales	6,111
Loan proceeds	65,368
Principal payments	(52,790)
Interest payments	(9,809)
Administrative fees	<u>(819)</u>
Net cash from capital financing activities	(91,089)
Cash flows from non-capital financing activities:	
Interfund transfers	(34,987)
Cash flows from investing activities:	
Interest income	<u>598</u>
 Net increase (decrease) in cash	 41,792
 Beginning cash	 <u>138,085</u>
Ending cash	<u><u>179,877</u></u>
 Reconciliation of income from operations to net cash from operations:	
Operating income (loss)	73,942
Adjustments to income from operations:	
Depreciation	92,380
Change in assets and liabilities:	
(Increase) decrease in receivables	(7,507)
(Increase) decrease in inter-fund receivables	882
Increase (decrease) in payables	7,497
Increase (decrease) in meter deposits	76
Net cash provided by operations	<u><u>167,270</u></u>

The accompanying notes are an integral part of these financial statements

The Town of Helena
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

1. Summary of Significant Accounting Policies

The Town complies with generally accepted accounting principles (GAAP), which includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless they conflict with or contradict GASB pronouncements, in which case, GASB prevails. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities, it has chosen not to do so.

For the fiscal year ended June 30, 2011, the Town implemented the new financial reporting requirements of GASB-54, which establishes new fund balance classifications for governmental funds. Fund balance will now be composed of three primary categories: nonspendable, restricted, and unrestricted. Nonspendable fund balance consists of amounts that are inherently nonspendable, such as inventories and prepaid expenses. Restricted amounts reflect amounts that are restricted by external sources. Unrestricted balances consist of amounts that either have no restriction, or that have been internally restricted by the town board of trustees. Currently the Town has no nonspendable fund balance, and has no restrictions, external or internal, on its governmental fund balance.

1A. Financial Reporting Entity

The Town of Helena (Town) operates under the Statutory Town Board of Trustees form of government and provides the following major services: public safety, streets, public improvements, planning and zoning, and general administration. In conformity with GASB-14, the financial statements of the following component unit have been included in the financial reporting entity as a blended component unit because its operating and financial relationship is significant to the town.

1B. Blended Component Units

The Helena Public Works Authority (PWA), an entity legally separate from the Town, is governed by the same board of trustee that governs the Town. For financial reporting purposes, the PWA is reported as if it were part of the Town's operations because its purpose is to finance and provide water, sewer, and trash services to the citizens of the Town. The PWA does not present separate financial statements.

1C. Basic Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's police, fire, streets and general administration are classified as governmental activities. The Town's water, sewer, and trash services are classified as business-type activities.

The Town of Helena
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

1D. Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity, which maintains only two funds. The statements distinguish between governmental and business-type activities. Governmental activities are financed by taxes, intergovernmental revenues, grants, fines, and other miscellaneous revenues. Business-type activities are financed by charges for services.

1E. Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

Governmental Funds

The measurement focus of governmental funds in the fund statements is current financial resources. Generally, only current financial assets and liabilities are included on their balance sheets and only sources and uses of available spendable resources are presented on their operating statements. Fund balance is used as their measure of available spendable resources at the end of the period. The town uses only one governmental fund, the general fund.

Proprietary Funds

The measurement focus of proprietary funds is economic resources, the objectives of which involves the determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town uses only one proprietary fund, an enterprise fund. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

1F. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**The Town of Helena
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011**

Accrual Basis

Both governmental and business-type activities in the government-wide financial statements and proprietary fund financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual Basis

The governmental funds financial statements are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (both measurable and available). Available means collectible within the current period or within 30 days after year end. Expenditures are generally recognized when the related liability is incurred.

1G. Cash and Cash Equivalents

The Town has defined cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1H. Investments

Investments are accounted for in accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments*, which states that investments held at year end with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. The Town has not formally adopted deposit and investment policies that limit its allowable deposits or investments and address the specific types of risk to which the Town is exposed.

1I. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowances for uncollectible accounts are based on historical trends and periodic aging.

1J. Interfund Activity

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are

The Town of Helena
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

1K. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 years
Equipment	5 to 30 years
Utility systems	20 to 40 years

GASB-34 requires the Town to report and depreciate new infrastructure assets. Infrastructure assets include roads, sidewalks, bridges traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation was reported in the financial statements prior to the implementation of GASB-34 in 2003. Retroactive reporting is not required.

1L. Compensated Absences

Town employees are entitled to certain compensated absences based on their length of employment. Such amounts are accrued as earned and reported in the financial statements.

1M. Revenues and Expenditures

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as needed. Program revenues in the government-wide statements include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing the goods or services that are the funds principal ongoing operations. Revenues and expenses not meeting this definition are nonoperating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB-33. In applying GASB-33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

The Town of Helena
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

2. Deposits and Investments

All deposits and investments of the Town are fully insured.

The State of Oklahoma allows municipalities to invest in the following: direct obligations of the U.S. Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; and county, municipal or school district direct debt.

During 2011 the Town realized a net gain of \$515 from the sale of investments. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments during 2011 was \$497. This amount takes into account all changes in fair value (including purchases and sales) during the year.

Investment accounts at June 30, 2011, consisted of the following:

	Governmental Activities			Business-type Activities		
	Cost	Market	Unrealized Gain (Loss)	Cost	Market	Unrealized Gain (Loss)
Cash and cash equivalents						
Money market funds	7,342	7,342	0	14,148	14,148	0
Investments						
Government securities	47,419	48,499	1,896	178,836	181,617	2,436
Certificates of deposit	25,000	23,083	(1,917)	25,000	23,083	(1,917)
Total investments	72,419	71,582	(21)	203,836	204,700	519
Total cash and investments	79,761	78,924	(21)	217,984	218,848	519

Investment returns at June 30, 2011, consisted of the following:

Governmental Activities				Business-type Activities			
Interest & Dividends	Realized Gains	Unrealized (Losses)	Total Returns	Interest & Dividends	Realized Gains	Unrealized Gains	Total Returns
2,076	25	(21)	2,080	8,582	490	519	9,591

The Town of Helena
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

3. Capital Assets

Depreciation expense was charged to functions as follows:

Governmental activities		Business-type activities	
General government	14,207	Administration department	0
Police department	4,775	Sewer department	70,971
Fire department	11,561	Water department	21,409
Street & alley department	37,155	Total depreciation	<u>92,380</u>
Total depreciation	<u>67,697</u>		

Capital asset activity for the year just ended is summarized as follows:

Governmental activities	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets				
Land	18,715	0	0	18,715
Depreciable assets				
Buildings	421,442	18,063	0	439,505
Equipment	425,729	0	0	425,729
Streets & other infrastructure	143,826	43,220	0	187,046
Total depreciable assets	<u>990,997</u>	<u>61,283</u>	0	<u>1,052,280</u>
Depreciation				
Buildings	221,540	10,739	0	232,279
Equipment	238,274	40,415	0	278,689
Streets & other infrastructure	50,126	16,544	0	66,670
Total depreciation	<u>509,940</u>	<u>67,697</u>	0	<u>577,638</u>
Net depreciable assets	<u>481,057</u>	<u>(6,414)</u>	0	<u>474,643</u>
Net governmental assets	<u>499,772</u>	<u>(6,414)</u>	0	<u>493,358</u>

The fire department has the use of a 2006 Ford F-350 pickup provided by Alfalfa County. Equipment added to the truck by the Town becomes county property and will stay with the truck when returned to the county.

The Town of Helena
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

Business-type activities	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets				
Land	98,715	0	0	98,715
Total non-depreciable assets	98,715	0	0	98,715
Depreciable assets				
Equipment	74,118	65,368	(39,548)	99,938
Utility systems	1,940,272	33,782	0	1,974,055
Total depreciable assets	2,014,391	99,150	(39,548)	2,073,992
Depreciation				
Equipment	62,467	10,560	(39,548)	33,479
Utility systems	869,165	81,820	0	950,985
Total depreciation	931,632	92,380	(39,548)	984,464
Net depreciable assets	1,082,758	6,771	0	1,089,529
Net business-type assets	1,181,473	6,771	0	1,188,243

4. Long-term Debt

Long-term debt activity for the year ended June 30, 2011, was as follows:

Beginning Balance	Issued	Retired	Ending Balance	Due in One Year
214,750	65,368	(52,790)	227,328	60,366

September 1, 1996, the PWA issued a \$440,000 promissory note payable to the Oklahoma Water Resources Board. The note matures September 15, 2016, and carries a fixed annual interest rate of 3.134%. The note is secured by all utility revenues, a mortgage on the utility systems, and a pledge on 2% of the Town's sales tax revenues. The Town drew down a total of \$422,978 on the note.

September 12, 2008, the PWA entered into a capital lease for equipment with John Deere Credit. The lease matures September 12, 2013, and carries a fixed annual interest rate of 5.5%. The lease is secured by the equipment.

September 21, 2010, the PWA entered into a capital lease for equipment with John Deere Credit. The lease matures September 21, 2013, and carries a fixed annual interest rate of 4.75%. The lease is secured by the equipment.

**The Town of Helena
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011**

A summary of debt service requirements to maturity by year is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Fee</u>	<u>Total</u>
2012	60,366	7,372	717	68,455
2013	62,991	4,713	589	68,293
2014	32,778	2,911	457	36,146
2015	27,815	2,015	321	30,151
2016	28,694	1,136	181	30,011
2017	14,685	230	37	14,952
	<u>227,329</u>	<u>18,377</u>	<u>2,302</u>	<u>248,008</u>

5. Compliance and Accountability

5A. Note Payable Covenants

The PWA is required to maintain sufficient utility rates so that net revenues, as defined in the loan agreement, meet or exceed 1.25 times the maximum annual debt service of \$32,102 which is \$40,128. PWA net revenues for the current fiscal year did meet that requirement.

6. Defined Contribution Pension Plan

The Town employees participate in the Oklahoma Municipal Retirement System as authorized by Town ordinance. Title 11, Oklahoma Statutes 1981, section 48-101 et. seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the System to the respective employer entities. All full-time and part-time employees of the Town are eligible to participate in the System and full-time employees are fully vested after 10 years. Covered employees are required to contribute from 0% to 3% of their gross payroll which the Town must match. Employee contributions over 3% are optional and are not matched by the Town. The payroll for Town employees for the year was \$121,233. The payroll for Town employees covered by the Fund for the year was \$109,233. Actual Town and employee contributions for the year were \$3,277 and \$3,277 respectively, equal to the required contribution for the year.

7. Defined Benefit Pension Plan

Plan Description. The Town contributes to the Oklahoma Firefighters Pension and Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The System issues a publicly available financial report that includes financial statements and required

The Town of Helena
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

supplementary information for the plan and may be obtained from their offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73015, or by calling 1-800-525-7461.

Funding Policy. Volunteer firefighters are not required to contribute, but the Town is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statutes and are not based on actuarial calculations. The Town's contribution to the System for the year ended June 30, 2011, 2010, and 2009 was \$1,140, \$1,140, and \$1,140 respectively, equal to the required contribution for each year.

8. Risk Management

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There was no claims activity for the year just ended.

9. Workers' Compensation Plan

The Town participates in the Oklahoma Municipal Assurance Group (OMAG) Workers' Compensation Plan (the Plan). The Plan became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01 am July 1 in any year and ends at midnight June 30 of the following year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

Plan participants have the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, participants are responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have the right to the return of any loss funds set aside for claims which have not been paid out as benefits. Losses are limited to amounts set aside by the Plan. Town funds on deposit with OMAG at year end were \$17,248 and are included in the Town's investments.

The Town of Helena
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

10. Budgets and Budgetary Accounting

The board of trustees adopts legally required annual operating budgets each year for each fund. The same generally accepted accounting principles basis of accounting used for financial reporting purposes is used for budgetary purposes. At the fund level, actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments of the same fund are approved by the board when required. Supplemental appropriations, if needed, are approved by the board and submitted to the state auditor's office as required by state statutes. All appropriations lapse at the end of the fiscal year. Encumbrance accounting is not used. For the year just ended, six budget amendments were approved by the trustees.

11. Inter-fund Transactions

Transfers	General Fund	Utility Fund	Interfund Loans	General Fund	Utility Fund
Operating	34,987	(34,987)	Payroll	(2,517)	2,517
			Sewer grant	(7,606)	7,606
				(10,123)	10,123

12. Subsequent Events

Management performed an evaluation of the Town's activity through April 9, 2012, the date the audit was available to be issued, and has concluded that there are no significant subsequent events requiring disclosure through that date.

**TOWN OF HELENA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and use taxes	102,700	102,700	134,393	31,693
Franchise taxes	27,000	27,000	26,941	(59)
Shared taxes	12,700	12,700	15,892	3,192
Police fines	2,000	2,000	1,279	(721)
Other revenues	200	200	6,788	6,588
Rentals of town property	2,000	2,000	2,845	845
Interest income	250	250	2,202	1,952
Grants	7,000	7,000	34,398	27,398
TOTAL REVENUES	153,850	153,850	224,738	70,888
EXPENDITURES				
General government	33,000	33,000	26,863	6,137
Police department	71,900	71,900	68,466	3,434
Fire department	24,000	24,000	21,911	2,089
Street department	81,800	116,800	64,388	52,412
Capital outlay	0	22,000	61,283	(39,283)
TOTAL EXPENDITURES	210,700	267,700	242,911	24,789
REVENUES OVER (UNDER) EXPENDITURES	(56,850)	(113,850)	(18,173)	95,677
NET CHANGE IN FUND BALANCES	(56,850)	(113,850)	16,814	130,664
BEGINNING FUND BALANCE	118,855	118,855	118,855	0
ENDING FUND BALANCE	62,005	5,005	135,669	130,664

Notes to the budgetary comparison schedule:

1. Any differences between the budget basis and GAAP are immaterial.
2. Capital outlay exceeded its budget because street capital expenditures were charged to materials and supplies. However, the street department did not exceed its budget.

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INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
The Town of Helena, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, and each fund of the Town of Helena, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the Town of Helena, and have issued our report thereon, dated April 9, 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 internal control over financial reporting of the Town of Helena 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 Town of Helena's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Helena's internal control over financial reporting.

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

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

2011-1 There are no established procedures to ensure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; or that donated capital assets are correctly recorded.

Response We will establish procedures to make sure all capital expenditures are properly recorded in the general ledger and that subsidiary schedules are adequately maintained and reconciled to the general ledger accounts.

2011-2 There is no segregation of duties between those maintaining the general ledger, the billing system, and performing reconciliations, and no compensating procedures to provide for oversight or review of those transactions.

Response Since we are a small town with our clerk/treasurer as the only administrative and bookkeeping employee, we do not have a way of segregating duties. However, we will try to find ways to establish better oversight procedures.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Town's internal control to be significant deficiencies:

2011-3 There are no established procedures to spread payroll taxes and employee benefits to the correct departments after each payroll or to reconcile payroll reports to the general ledger.

Response We will establish procedures to make sure all payroll taxes and employee benefits are spread to the correct departments after each payroll, and that payroll reports are reconciled to the general ledger accounts.

2011-4 There are no established procedures for reviewing the general ledger for posting errors or for reconciling subsidiary reports to the general ledger.

Response We will establish procedures for reviewing the general ledger for posting errors and for making sure subsidiary reports are reconciled to the general ledger monthly.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Town of Helena 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*.

The Town of Helena's response to the findings identified in our audit is described above. We did not audit the Town of Helena's response and, accordingly, we express no opinion on it.

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

 , C.P.A., Inc.
Becky Fleming, C.P.A., Inc.
April 9, 2012