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**THE TOWN OF HELENA**

**(Including the Helena Public Works Authority)**

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**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

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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, 2012, 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, 2012, 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 October 8, 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 19 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.

 , C.P.A., Inc.

Becky Fleming, C.P.A., Inc.  
October 8, 2012

**TOWN OF HELENA  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012**

ASSETS	Governmental Activities	Business-Type Activities	Totals June 30, 2012
<b>Current Assets</b>			
Cash in bank	52,879	201,285	254,164
Investments	97,396	231,220	328,616
Revenue receivable	46,398	0	46,398
Accounts receivable	0	53,572	53,572
Allowance for doubtful accounts	0	(3,656)	(3,656)
Grants receivable	0	1,268	1,268
Internal balances	(9,229)	9,229	0
<b>Total current assets</b>	<b>187,444</b>	<b>492,918</b>	<b>680,362</b>
<b>Noncurrent Assets</b>			
Non-depreciable capital assets	22,215	98,715	120,930
Depreciable property and equipment	1,186,542	2,106,724	3,293,266
Accumulated depreciation	(650,160)	(1,082,686)	(1,732,846)
<b>Total noncurrent assets</b>	<b>558,597</b>	<b>1,122,753</b>	<b>1,681,350</b>
<b>TOTAL ASSETS</b>	<b>746,041</b>	<b>1,615,671</b>	<b>2,361,712</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	202	8,576	8,778
Accrued payroll liabilities	1,772	4,342	6,114
Accrued interest payable	0	1,365	1,365
Current portion of long-term debt	0	48,542	48,542
<b>Total current liabilities</b>	<b>1,974</b>	<b>62,825</b>	<b>64,799</b>
<b>Noncurrent liabilities</b>			
Meter deposits refundable	0	7,185	7,185
Long-term debt, less current portion	0	104,480	104,480
<b>Total noncurrent liabilities</b>	<b>0</b>	<b>111,665</b>	<b>111,665</b>
<b>TOTAL LIABILITIES</b>	<b>1,974</b>	<b>174,490</b>	<b>176,464</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of debt	558,597	969,731	1,528,328
Unrestricted	185,470	471,450	656,920
<b>TOTAL NET ASSETS</b>	<b>744,067</b>	<b>1,441,181</b>	<b>2,185,248</b>

The accompanying notes are an integral part of these financial statements

**TOWN OF HELENA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

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	(43,341)	3,251	0	0	(40,090)	0	(40,090)
Police department	(75,010)	5,154	0	0	(69,856)	0	(69,856)
Fire department	(24,849)	500	4,413	12,495	(7,441)	0	(7,441)
Street and alley department	(107,410)	30	12,199	24,000	(71,181)	0	(71,181)
Total governmental activities	(250,610)	8,935	16,612	36,495	(188,568)	0	(188,568)
Business-type activities:							
Administration department *	(50,327)	0	0	0	0	(50,327)	(50,327)
Sewer department **	(133,331)	148,073	0	0	0	14,742	14,742
Trash department	(40,030)	41,983	0	0	0	1,953	1,953
Water department	(96,306)	172,882	0	0	0	76,576	76,576
Total business-type activities	(319,994)	362,938	0	0	0	42,944	42,944
Total all activities	(570,604)	371,873	16,612	36,495	(188,568)	42,944	(145,624)
General revenues:							
Sales and use taxes					159,491	0	159,491
Franchise taxes					28,211	0	28,211
Intergovernmental					26,932	0	26,932
Investment income					1,963	6,420	8,383
Miscellaneous					0	6,652	6,652
Special item - oil & gas bonus and easement					87,011	0	87,011
Total general revenues					303,608	13,072	316,680
Change in net assets					115,040	56,016	171,056
Beginning net assets					629,027	1,385,165	2,014,192
Ending net assets					744,067	1,441,181	2,185,248

\* Includes interest of \$1,939

\*\* Includes interest and fees of \$4,984

The accompanying notes are an integral part of these financial statements

**TOWN OF HELENA  
BALANCE SHEET  
GOVERNMENTAL FUND  
AS OF JUNE 30, 2012**

	<u>GENERAL FUND</u>
<b>ASSETS</b>	
Cash in bank	52,879
Investments	97,396
Revenue receivable	46,398
<b>TOTAL ASSETS</b>	<u>196,673</u>
 <b>LIABILITIES</b>	
Accounts payable	202
Accrued payroll liabilities	1,772
Due to other funds	9,229
<b>TOTAL LIABILITIES</b>	<u>11,203</u>
 <b>FUND BALANCE</b>	
Unassigned	185,470
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>196,673</u>
 <b>Reconciliation of fund balance to net assets of governmental activities:</b>	
Fund balance	185,470
Capital assets	1,208,757
Accumulated depreciation	(650,160)
<b>Net assets of governmental activities</b>	<u>744,067</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, 2012**

	<u>GENERAL FUND</u>
<b>REVENUES</b>	
Sales and use taxes	159,491
Franchise tax	28,211
Alcoholic beverage tax	26,932
Motor vehicle tax	9,598
Gas excise tax	2,600
Police fines	5,154
Other revenues	932
Rentals of town property	2,850
Interest income	1,963
Grants	40,908
<b>TOTAL REVENUES</b>	<u>278,639</u>
 <b>EXPENDITURES</b>	
General government	27,300
Police department	69,723
Fire department	15,075
Street and alley department	65,989
Capital outlay	137,762
<b>TOTAL EXPENDITURES</b>	<u>315,849</u>
 <b>REVENUES (UNDER) EXPENDITURES</b>	 (37,210)
 <b>SPECIAL ITEM</b>	
Proceeds from oil & gas bonus and easement	87,011
<b>NET CHANGE IN FUND BALANCE</b>	<u>49,801</u>
 <b>BEGINNING FUND BALANCE</b>	 <u>135,669</u>
<b>ENDING FUND BALANCE</b>	<u><u>185,470</u></u>
 Reconciliation of net change in fund balance to change in net assets of governmental activities:	
Net change in fund balances	(37,210)
Capital asset purchases capitalized	137,762
Depreciation expense	(72,522)
Oil and gas bonus & easement	87,011
<b>Change in Net Assets of Governmental Activities</b>	<u><u>115,041</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, 2012**

	<u>ENTERPRISE FUND</u>
<b>ASSETS</b>	
Current Assets	
Cash in bank	201,285
Investments	231,220
Accounts receivable	53,572
Allowance for doubtful accounts	(3,656)
Grants receivable	1,268
Due from other funds	9,229
Total Current Assets	<u>492,918</u>
Noncurrent Assets	
Non-depreciable capital assets	98,715
Depreciable property and equipment	2,106,724
Accumulated depreciation	<u>(1,082,686)</u>
Total Property, Plant, and Equipment	<u>1,122,753</u>
<b>TOTAL ASSETS</b>	<u><u>1,615,671</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	8,576
Accrued payroll liabilities	4,342
Accrued interest payable	1,365
Current portion of long-term debt	48,542
Total Current Liabilities	<u>62,825</u>
Noncurrent Liabilities	
Meter deposits refundable	7,185
Long-term debt, less current portion	104,480
Total Noncurrent Liabilities	<u>111,665</u>
<b>TOTAL LIABILITIES</b>	<u>174,490</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of debt	969,731
Unrestricted	471,450
<b>TOTAL NET ASSETS</b>	<u><u>1,441,181</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, 2012**

	<u>UTILITY FUND</u>
OPERATING REVENUES	
Sewer revenue	148,073
Trash revenue	41,983
Water revenue	172,882
Late payment penalties	1,860
Other revenues	2,167
Lagoon land rent	2,625
TOTAL OPERATING REVENUES	<u>369,590</u>
OPERATING EXPENSES	
Administration department	48,388
Sewer department	128,347
Trash department	40,030
Water department	96,306
TOTAL OPERATING EXPENSES	<u>313,071</u>
OPERATING INCOME	56,519
NON-OPERATING REVENUES (EXPENSES)	
Interest income	564
Gains on investments	5,856
Interest expense	(6,162)
Administrative fees	(761)
NET NON-OPERATING REVENUES (EXPENSES)	<u>(503)</u>
CHANGE IN NET ASSETS	56,016
BEGINNING NET ASSETS	<u>1,385,165</u>
ENDING NET ASSETS	<u><u>1,441,181</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, 2012**

	<u>UTILITY FUND</u>
Cash flows from operations:	
Cash received from:	
Customers	355,637
Cash payments for:	
Goods and services	(136,764)
Employees	(82,671)
Net cash provided from operations	<u>136,202</u>
Cash flows from capital financing activities:	
Equipment purchases	(32,731)
Equipment sales	0
Loan proceeds	0
Principal payments	(74,306)
Interest payments	(7,722)
Administrative fees	(599)
Net cash from capital financing activities	<u>(115,358)</u>
Cash flows from investing activities:	
Interest income	<u>564</u>
 Net increase (decrease) in cash	 21,408
 Beginning cash	 <u>179,877</u>
Ending cash	<u><u>201,285</u></u>
 Reconciliation of income from operations to net cash from operations:	
Operating income (loss)	56,519
Adjustments to income from operations:	
Depreciation	98,223
Change in assets and liabilities:	
(Increase) decrease in receivables	(14,079)
(Increase) decrease in inter-fund receivables	894
Increase (decrease) in payables	(5,481)
Increase (decrease) in meter deposits	126
Net cash provided by operations	<u><u>136,202</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, 2012**

**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 established new fund balance classifications for governmental funds. Fund balance is now 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 internal restrictions 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, 2012**

**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, 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, 2012**

**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, 2012**

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, 2012**

**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 2012 the Town realized a net gain of \$2,998 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 decrease in the fair value of investments during 2012 was \$936. This amount takes into account all changes in fair value (including purchases and sales) during the year.

Investment accounts at June 30, 2012, consisted of the following:

	Governmental Activities			Business-type Activities		
	Cost	Market	Unrealized Gain (Loss)	Cost	Market	Unrealized Gain (Loss)
<b>Cash and cash equivalents</b>						
Money market funds	20,931	20,931	0	66,586	66,586	0
<b>Investments</b>						
Government securities	35,615	36,280	665	133,364	134,829	1,465
Certificates of deposit	25,000	23,467	(1,533)	25,000	23,467	(1,533)
Total investments	60,615	59,747	(868)	158,364	158,296	(68)
Total cash and investments	81,546	80,678	(868)	224,950	224,882	(68)

Investment returns at June 30, 2012, 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
2,098	11,016	(11,406)	1,708	7,986	(8,018)	5,888	5,856

**The Town of Helena  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2012**

**3. Capital Assets**

Depreciation expense was charged to functions as follows:

<b>Governmental activities</b>		<b>Business-type activities</b>	
General government	16,042	Administration department	0
Police department	5,287	Sewer department	71,490
Fire department	9,773	Water department	26,733
Street & alley department	41,420	Total depreciation	<u>98,223</u>
Total depreciation	<u>72,522</u>		

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

<b>Governmental activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Non-depreciable assets</b>				
Land	18,715	3,500	0	22,215
Construction in progress	0	62,389	0	62,389
Total non-depreciable assets	18,715	65,889	0	84,604
<b>Depreciable assets</b>				
Buildings	439,505	0	0	439,505
Equipment	425,729	23,763	0	449,491
Streets & other infrastructure	187,046	48,110	0	235,156
Total depreciable assets	1,052,280	71,873	0	1,124,153
<b>Depreciation</b>				
Buildings	232,279	11,642	0	243,921
Equipment	278,689	39,770	0	318,459
Streets & other infrastructure	66,670	21,110	0	87,780
Total depreciation	577,638	72,522	0	650,160
Net depreciable assets	474,643	(650)	0	473,993
Net governmental assets	493,358	65,239	0	558,597

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, 2012**

<b>Business-type activities</b>	Beginning			Ending
	Balance	Additions	Deletions	Balance
<b>Non-depreciable assets</b>				
Land	98,715	0	0	98,715
Total non-depreciable assets	98,715	0	0	98,715
<b>Depreciable assets</b>				
Equipment	99,938	0	0	99,938
Utility systems	1,974,055	32,731	0	2,006,786
Total depreciable assets	2,073,992	32,731	0	2,106,724
<b>Depreciation</b>				
Equipment	33,479	16,489	0	49,968
Utility systems	950,985	81,733	0	1,032,719
Total depreciation	984,464	98,223	0	1,082,686
Net depreciable assets	1,089,529	(65,491)	0	1,024,037
Net business-type assets	1,188,243	(65,491)	0	1,122,752

**4. Long-term Debt**

Long-term debt activity for the year ended June 30, 2012, was as follows:

**Business-type Activities**

Beginning			Ending	Due in
Balance	Issued	Retired	Balance	One Year
227,328	0	(74,306)	153,022	48,542

Outstanding debt at year end was as follows:

**Business-type Activities**

Purpose	Issue Date	Issued	Outstanding	Interest Rate	Maturity Date	Collateral
Sewer	09/01/1996	422,978	124,622	3.134%	09/15/2016	Utility system and revenues; 2% sales tax
Equipment	09/21/2010	65,368	28,400	4.950%	09/21/2013	Equipment

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 matured September 12, 2013, and carried a fixed annual interest rate of 5.5%. The PWA retired the lease in July 2011 with the purchase of the equipment.

**The Town of Helena  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2012**

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 4.95%. The lease is secured by the equipment. Depreciation of \$13,074 is included in the financial statements.

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>
2013	48,542	4,595	599	53,736
2014	32,732	2,965	467	36,164
2015	27,919	2,059	329	30,307
2016	28,952	1,168	187	30,307
2017	14,877	238	38	15,153
	<u>153,022</u>	<u>11,025</u>	<u>1,620</u>	<u>165,667</u>

**5. Compliance and Accountability**

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 \$127,496. The payroll for Town employees covered by the Fund for the year was \$115,320. Actual Town and employee contributions for the year were \$3,460 each, equal to the required contributions 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

**The Town of Helena**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2012**

issues a publicly available financial report that includes financial statements and required 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, 2012, 2011, and 2010 was \$960, \$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 \$16,575 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, 2012**

**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 October 8, 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, 2012**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and use taxes	104,850	104,850	159,491	54,641
Franchise taxes	27,600	27,600	28,211	611
Shared taxes	14,200	14,200	39,130	24,930
Police fines	2,000	2,000	5,154	3,154
Other revenues	500	500	932	432
Rentals of town property	2,500	2,500	2,850	350
Interest income	200	200	1,963	1,763
Grants	5,000	5,000	40,908	35,908
<b>TOTAL REVENUES</b>	<b>156,850</b>	<b>156,850</b>	<b>278,639</b>	<b>121,789</b>
<b>EXPENDITURES</b>				
General government	34,000	37,000	27,300	9,700
Police department	72,000	73,000	69,723	3,277
Fire department	22,000	22,000	15,075	6,925
Street department	118,000	118,000	65,989	52,011
Capital outlay	0	169,000	137,762	31,238
<b>TOTAL EXPENDITURES</b>	<b>246,000</b>	<b>419,000</b>	<b>315,849</b>	<b>103,151</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(89,150)</b>	<b>(262,150)</b>	<b>(37,210)</b>	<b>224,940</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(89,150)</b>	<b>(262,150)</b>	<b>(37,210)</b>	<b>224,940</b>
<b>BEGINNING FUND BALANCE</b>	<b>205,430</b>	<b>205,430</b>	<b>135,669</b>	<b>(69,761)</b>
<b>ENDING FUND BALANCE</b>	<b>116,280</b>	<b>(56,720)</b>	<b>98,459</b>	<b>155,179</b>

**Notes to the budgetary comparison schedule:**

The board of trustees adopts the legally required annual operating budget each year. The same generally accepted accounting principles basis of accounting used for financial reporting purposes is used for budgetary purposes. Actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments 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. For the year just ended, six budget amendments were approved by the trustees.

The final budget for the year has a negative fund balance due to an error in a formula on the budget schedule; however, actual expenditures did not exceed appropriations or available fund balance.

**BECKY FLEMING, C.P.A., INC.**

**7920 108th Ave NE  
Norman, OK 73026-9761**

**Cell: 405.641.5794**

**Fax: 405.799.2039**

**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, 2012, which collectively comprise the basic financial statements of the Town of Helena, and have issued our report thereon, dated October 8, 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**

Management of the Town of Helena is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Helena'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 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:

2012-1        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. We recommend that procedures be established to correctly maintain capital asset records, including annual physical inventories.

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. We will work with department heads to perform an annual physical inventory and reconcile assets to insurance policy schedules also.

2012-2        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. We recommend that compensating procedures be developed to provide oversight of those procedures for which there is no segregation of duties.

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:

2012-3        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. We recommend that procedures be established to provide for monthly allocations of payroll taxes and related employee benefits and 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.

2012-4        There are no established procedures for reviewing the general ledger for posting errors or for reconciling subsidiary reports to the general ledger. We recommend that procedures be established for monthly review of the general ledger for posting errors and 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.  
October 8, 2012