

City of Helena-West Helena, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2012

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF HELENA-WEST HELENA, ARKANSAS
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Arkansas



Roger A. Norman, JD, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

City of Helena-West Helena, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Helena-West Helena, Arkansas, as of and for the year ended December 31, 2012, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Arkansas Code, as described in Note 1, to meet the requirements permitted by the State of Arkansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and qualified audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, to meet the financial reporting requirements permitted by the State of Arkansas, the financial statements are prepared by the City on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Helena-West Helena, Arkansas, as of December 31, 2012, or the revenues, expenditures, and changes in net position and, when applicable, cash flows thereof for the year then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

The Water and Sewer Fund has not been included in the City's regulatory-basis financial statements. The regulatory basis as prescribed or permitted by Arkansas Code requires the Water and Sewer Fund to be presented as part of the other funds in the aggregate, thus increasing the column's assets, liabilities, revenues, and expenditures. The amount by which this departure would affect the assets, liabilities, revenues, and expenditures of the other funds in the aggregate column is not reasonably determinable. The City's financial statements also do not disclose all the required information concerning deposit and investment risks. In our opinion, disclosure of this information is required by the regulatory basis of accounting described in Note 1.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the omissions described in the Basis for Adverse Opinion on Regulatory Basis of Accounting paragraph, the financial statements referred to above do not present fairly, in conformity with the regulatory-basis of accounting, as described in Note 1, the financial position of the other funds in the aggregate of the City of Helena-West Helena, Arkansas, as of December 31, 2012, and the regulatory-basis revenues, expenditures, and changes in net position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The City's financial statements do not disclose all the required information concerning deposit risks. In our opinion, disclosure of this information is required by the regulatory basis of accounting described in Note 1.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion on Regulatory Basis of Accounting paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory-basis financial position of the general fund and street fund of the City of Helena-West Helena, Arkansas, as of December 31, 2012, and the regulatory-basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general fund and street fund for the year then ended in accordance with the financial reporting provisions of the Arkansas Code described in Note 1.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements. The accompanying supplementary information and other information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

Because of the omissions described above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

The other information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, 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* in considering the City's internal control over financial reporting and compliance.

DIVISION OF LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
March 12, 2014
LOM111112

Sen. Bryan B. King
Senate Chair

Rep. Kim Hammer
House Chair

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Roger A. Norman, JD, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

City of Helena-West Helena, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

We have audited 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, the accompanying regulatory-basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Helena-West Helena, Arkansas, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2014. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1 our opinion on the other funds in the aggregate was adverse because of the effects on the financial statements of not including the water and sewer fund, which is material to other funds in the aggregate. Our opinions on the general fund and street fund were qualified because required disclosures were not made concerning deposit risks.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

2012-1 To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions should be distributed among appropriate employees. The City officials, as specified in the Other Issues section of this report, did not segregate these duties to sufficiently reduce the risks of fraud or error and properly safeguard the City's assets, because of limited financial resources. We recommend that the financial accounting duties in each office be segregated among employees to the extent possible.

The City officials, as specified in the Other Issues section of this report, responded and indicated that their offices will segregate the duties relating to initiating, receipting, depositing, disbursing, and recording transactions to the extent possible with the current staffing levels.

2012-2 Unauthorized Disbursements

The following financial transactions appear to conflict with state laws, city ordinances, and/or accepted accounting practices:

Funds totaling \$2,023 were improperly disbursed to or on behalf of elected officials, department heads, employees, and others, as shown in the table below, primarily for the period August 1, 2012 through May 31, 2013. These disbursements consisted of undocumented reimbursements; duplicate reimbursements; reimbursements for nonbusiness lodging, Rotary Club expenses, a routine eye exam; and vendor overpayments. Similar improper transactions totaling \$3,363, \$11,347, \$20,424, \$59,466, and \$3,666 were reported in the 2011, 2010, 2009/2008, 2007, and 2006 audit reports, respectively.

	Improper Disbursements/ Due to City
<u>Elected Officials and Department Heads:</u>	
Arnell Willis, Mayor	\$ 487
Uless Wallace, Police Chief	426
Bobby Jones, Sanitation Director	367
Bob Gaston, Landfill Director	154
<u>Employees by Department:</u>	
Police	308
Street	163
<u>Others:</u>	
Nonemployees	118
Total	<u>\$ 2,023</u>

In addition, the following improper disbursements were noted:

- \$14,728 to various hotels, businesses, and individuals without adequate documentation; therefore, the validity of these disbursements could not be determined.
- \$285 for flowers, in apparent conflict with Ark. Const. art. 12, § 5, as interpreted by Op. Att'y Gen. no. 1991-410.
- \$90 to an employee as reimbursement for an actual fuel purchase instead of mileage.

A lack of management oversight permitted these disbursements to be processed. The effect of noncompliance with state laws, city ordinances, and accepted accounting practices constitutes a significant control deficiency in the disbursements process. We recommend city management implement procedures to ensure disbursements comply with state laws, city ordinances, and proper accounting practices and provide proper training for employees entrusted with the responsibility of disbursing public funds.

The Mayor responded that in the future, employees will be required to provide more thorough documentation. If appropriate documentation is not provided, the employee will be required to pay for those expenditures.

2012-3 Arkansas Code requires City management to maintain financial records. The Other Funds in the Aggregate financial records contained material misstatements in cash, accounts receivable, accounts payable, fund balance, revenues, expenditures, and transfers in and out in the amounts of \$295,037, \$48,711, \$22,275, \$12,439, \$963,972, \$25,458, \$79,401, and \$1,523, respectively, due to unrecorded receivables and payables, unclassified revenues, and posting errors.

A similar finding was reported in the prior year audit.

The effect of these misstatements constitutes a significant control deficiency in the process of preparing financial statements. City management should implement procedures to ensure financial records are properly posted.

The City Clerk and Treasurer have concurred with the above recommendation and have approved the appropriate entries to the City's financial records.

2012-4 Accounting procedures for municipalities are set forth in the Municipal Accounting Law, Ark. Code Ann. §§ 14-59-101 - 14-59-118. The City was not in compliance with these codes and other proper accounting procedures as enumerated below:

- Revenues were not properly classified in the cash receipts journals for all funds.
- Cash receipts and cash disbursements journals were not reconciled to bank statements.
 1. Reconciliations were not always complete.
 2. Reconciliations did not reflect ending balances.
 3. Checks issued in 2013 were included in outstanding checks in error.
 4. Cash on hand in the amount of \$200,000 was not included on the Landfill Closure account.
 5. Outstanding checks were not totaled.
 6. Outstanding checks were not always listed on the reconciliations.
- A cash receipts journal was not established for the Landfill Closure account. A cash receipts and cash disbursements journal was not established for the District Court Probation Fund.
- Deposit slips did not always reflect receipt numbers deposited or the correct receipt range.
- We noted the following deficiencies regarding receipts:
 1. Receipts were not issued sequentially.
 2. Receipts were not always posted in the cash receipts journals.
 3. Journals did not consistently reflect receipt numbers and date received.
 4. Dates recorded in journals did not always reflect dates on receipts.
 5. Receipt amounts did not always agree with amounts posted in journals.
 6. Receipts were not issued for all sources of income.
 7. Receipts were not posted in the correct year.
 8. Hotel and Restaurant Tax payments were not receipted on a timely basis, some more than 30 days after deposit.
- During our review of disbursements, we noted the following deficiencies:
 1. Invoices were paid without proper management approval (authorizing signature). Also, some invoices were authorized in 2013, but expenditures were made in 2012.
 2. Supporting documentation was not supplied for 14 requested disbursements, totaling \$407,824.
 3. Disbursements were not always made by a prenumbered check.
 4. Check number, date, or amount per some invoices/cancelled checks did not match journals or were missing from journals.

A similar finding was reported in the prior year audit.

A lack of management oversight permitted these instances of noncompliance with the Municipal Accounting Law and proper accounting procedures. The effect of not following the Municipal Accounting Law and proper accounting procedures constitutes a significant control deficiency in the process of preparing financial statements. We recommend City management implement procedures and safeguards to ensure the accounting procedures are in compliance with Arkansas Code.

The City Clerk and Treasurer indicated efforts will be made to comply with the Municipal Accounting Law.

2012-5 Accounting procedures for District Court Clerks are set forth in Ark. Code Ann. § 16-10-209. The District Court Clerk was not in compliance with this code and other proper accounting procedures as enumerated below:

- Cash receipts and cash disbursements journals were not established for January through July. Also, journals were not properly maintained to include accurate monthly and year-to-date totals for August through December. A similar finding was issued in the prior report.
- Balances remaining in the bank accounts in the amount of \$290,457 again were not properly identified with receipt numbers for cases not yet adjudicated and the payments made on all unpaid individual time accounts.
- A list was not provided to judges for all unpaid time payment accounts for which a payment had not been received in the last 30 days.
- Individual citations in the completed citation books were not reconciled to the individual citations as reflected on the arrest reports.
- Receipt numbers were not listed on bank deposit slips.
- Receipts issued were not reconciled to monthly bank deposits.
- Receipts were not deposited in a timely manner.
- District Court funds totaling \$95,373 were transferred to city accounts without a District Judge's order. We recommend the City contact the Administrative Office of the Courts to determine the proper distribution of these funds.
- Bank reconciliations were not prepared monthly and the December reconciliations did not include cash on hand of \$66,786 or a deposit in transit of \$8,842.

2012-5 (Continued)

A lack of management oversight permitted these instances of noncompliance with the District Court Law and proper accounting procedures. The effect of not following the District Court Law and proper accounting procedures constitutes a significant control deficiency in the process of preparing financial statements. We recommend City management implement procedures and safeguards to ensure the accounting procedures are in compliance with Arkansas Code.

The District Court Clerk responded and indicated that necessary accounting procedures will be implemented.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Internal Control over Financial Reporting section as items 2012-2 through 2012-5.

Entity's Response to Findings

The City's response to the findings identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Other Issues

The following issues are not significant deficiencies, material weaknesses, or material instances of noncompliance, but are issues that are presented to assist in the efficient operation of the City.

The commentary contained in this section relates to the following officials that held office during 2012:

Mayor: Arnell Willis
City Clerk: Sandra Ramsey
Treasurer: Patrick Roberson
District Court Clerk: Dionne Carter (August 6, 2012 – December 31, 2012)
Linda Danley (January 1, 2012 – July 11, 2012)
Police Chief: Uless Wallace

We reviewed the City's compliance with certain Arkansas laws concerning general and district court accounting, budgeting, purchasing, and investing and depositing of public funds.

Noncompliance with state law and accepted accounting practices was noted in the Offices of **Mayor, Treasurer, City Clerk, Police Chief, and District Court Clerk.**

Police Chief/District Court Clerk

District Court funds totaling \$985 were reported as stolen from the Court Officer's desk drawer on April 5, 2012. After conducting an investigation, the Helena-West Helena Police Department issued a letter dated May 1, 2012, requiring John Thomas, Court Officer, to reimburse the City for the missing funds and to implement specific procedures to prevent the theft of these funds in the future. As of report date, Thomas had not reimbursed the City.

In addition, the following deficiencies were noted concerning receipts maintained by Thomas:

- One receipt book containing 200 receipts was not provided. As a result, audit staff was unable to determine if these funds were properly deposited.
- Some duplicate copies of receipts were removed from the receipt books and kept in a file instead of being left intact in the receipt books.
- Unused receipts were left in several receipt books without being voided.
- Some unused receipts were pre-signed.
- Method of payment was not indicated on receipts until deposits were prepared.

Mayor/Treasurer/City Clerk

Three officials and the payroll preparer were overpaid \$3,600, \$1,800, \$1,800, and \$1,400, respectively, per budget Resolution no. 01-2012. Also, the budget again was not amended for payroll clerk's overtime and vacation pay.

Mayor

1. Competitive bids for purchases in the amount of \$77,973 again were not solicited, as required by Ark. Code Ann. § 14-58-303 and Helena-West Helena Ordinance no. 10-2009 (March 17, 2009). This ordinance established the purchase authority of the Mayor without the need to engage in competitive bidding at \$7,500.
2. The fixed asset listing was not properly maintained, as required by Ark. Code Ann. § 14-59-107.
 - a. The list did not include a value for all items.
 - b. The list did not include a total for all categories.
 - c. The Council did not adopt a policy setting forth the dollar amount to qualify as a fixed asset.
3. The governing body did not review the prior year report and accompanying comments and recommendations at the first regularly scheduled meeting following receipt of the report, as required by Ark. Code Ann. § 10-4-418.
4. A budget again was not adopted for all Special Revenue and Capital Projects Funds, as required by Ark. Code Ann. § 14-58-202.
5. Street Fund expenditures exceeded budgeted appropriations in the amount of \$62,829, in noncompliance with Ark. Code Ann. § 14-58-203.

City Clerk/Treasurer

1. Digital images of cancelled checks provided by the financial institutions again did not include the back of the cancelled checks, as required by Ark. Code Ann. § 19-2-506.
2. Settlement reports for funds remitted to the Clerk/Treasurer were not properly maintained as follows:
 - Settlements for Golf Course and Police Department fees were not remitted on a timely basis.
 - The Police Department did not provide a copy of the accident report receipts or settlements.

Police Chief

1. The following citation deficiencies again were noted, in noncompliance with Ark. Code Ann. § 16-10-205:
 - The Police Department did not retain a copy of processed uniform traffic citations.
 - All copies of voided citations were not retained in books.
 - All pink copies of citations were not retained in books.
 - Citation books were not always filed with the Court Clerk.
 - Citation books were not always signed out by an officer.
 - Citation books were not listed sequentially in the citation log.
2. The following receipting deficiencies again were noted, in noncompliance with Ark. Code Ann. § 16-10-207:
 - Receipt books were not retained for audit review.
 - Date information was not always complete.
 - Receipts for checks returned insufficient were not voided.
 - Receipts were not issued sequentially in date order.
 - Numerical amounts noted on receipts did not agree with handwritten amounts.
 - Receipts were signed with a stamp, and some were presigned.
 - Unissued receipts were not voided.
 - Receipt amounts were altered.
 - Receipt numbers were not indicated on time payment cards.
 - All copies of voided receipts were not retained.
 - Some receipts were missing.
3. The balances remaining in the bank again were not identified with receipts issued but not yet entered on the arrest reports, as required by Ark. Code Ann. § 16-10-207.

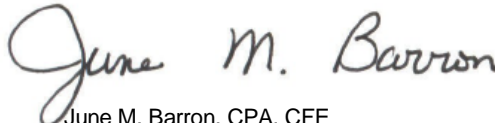
Police Chief (Continued)

4. Cash receipts and disbursements journals again were not maintained properly.
 - Disbursements and receipts were not classified.
 - The journals included numerous posting errors.
 - Book balances were not reflected.
 - Year-to-date balances were not maintained.
5. Bond and Fine Fund disbursements again were not signed by the Police Chief and one other authorized person, as required by Ark. Code Ann. § 16-10-204.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in dark ink that reads "June M. Barron". The signature is written in a cursive, flowing style.

June M. Barron, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
March 12, 2014

CITY OF HELENA-WEST HELENA, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2012

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 29,984	\$ 66,746	\$ 3,177,994
Investments			50,000
Accounts receivable	482,418	44,800	490,797
Interfund receivables	151,795		1,067
	<u>664,197</u>	<u>111,546</u>	<u>3,719,858</u>
TOTAL ASSETS	<u>\$ 664,197</u>	<u>\$ 111,546</u>	<u>\$ 3,719,858</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 832,582	\$ 16,721	\$ 61,225
Interfund payables			152,862
Settlements pending			536,178
Total Liabilities	<u>832,582</u>	<u>16,721</u>	<u>750,265</u>
Fund Balances:			
Restricted		94,825	2,029,836
Assigned			939,757
Unassigned	(168,385)		
Total Fund Balances	<u>(168,385)</u>	<u>94,825</u>	<u>2,969,593</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 664,197</u>	<u>\$ 111,546</u>	<u>\$ 3,719,858</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HELENA-WEST HELENA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 384,261	\$ 558,949	\$ 125,416
Federal aid	56,747		210,903
Property taxes	410,577	101,602	
Franchise fees	630,901		
Sales taxes	4,100,789		1,162,780
Fines, forfeitures, and costs	63,663		261,883
Interest	399	170	10,982
Local permits and fees	148,695		
Sanitation fees	1,408,094		512,611
Hotel and restaurant tax			272,020
Rent			61,585
Other	214,385	15,090	68,547
TOTAL REVENUES	7,418,511	675,811	2,686,727
EXPENDITURES			
Current:			
General government	4,585,562		425,661
Law enforcement	1,786,557		338,722
Highways and streets		714,870	22,015
Public safety	1,044,482		143,677
Sanitation	472,226		458,037
Health	20,250		
Recreation and culture	175,331		5,893
Airport			132,552
Total Current	8,084,408	714,870	1,526,557
Debt Service:			
Bond principal			280,000
Bond interest and other charges			480,575
Lease principal	49,788		106,028
Lease interest	5,296		4,639
Note principal		56,661	
Note interest		17,415	
Loan principal (sales tax withheld)			181,630
TOTAL EXPENDITURES	8,139,492	788,946	2,579,429

CITY OF HELENA-WEST HELENA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (720,981)</u>	<u>\$ (113,135)</u>	<u>\$ 107,298</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	310,552		73,960
Transfers out	(73,960)		(310,552)
Contribution from water department	<u>117,337</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>353,929</u>		<u>(236,592)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(367,052)</u>	<u>(113,135)</u>	<u>(129,294)</u>
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	(1,646,468)	1,324,569	3,840,593
Restatement adjustment	<u>1,845,135</u>	<u>(1,116,609)</u>	<u>(741,706)</u>
FUND BALANCES - JANUARY 1, AS RESTATED	<u>198,667</u>	<u>207,960</u>	<u>3,098,887</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ (168,385)</u></u>	<u><u>\$ 94,825</u></u>	<u><u>\$ 2,969,593</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF HELENA-WEST HELENA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 260,000	\$ 384,261	\$ 124,261	\$ 762,163	\$ 558,949	\$ (203,214)
Federal aid		56,747	56,747			
Property taxes	300,000	410,577	110,577	50,000	101,602	51,602
Franchise fees	876,938	630,901	(246,037)			
Sales taxes	5,335,428	4,100,789	(1,234,639)			
Fines, forfeitures, and costs	140,000	63,663	(76,337)			
Interest		399	399		170	170
Local permits and fees	73,000	148,695	75,695			
Sanitation fees	1,450,000	1,408,094	(41,906)			
Other	127,800	214,385	86,585	7,500	15,090	7,590
TOTAL REVENUES	8,563,166	7,418,511	(1,144,655)	819,663	675,811	(143,852)
EXPENDITURES						
Current:						
General government	3,750,676	4,585,562	(834,886)			
Law enforcement	2,241,666	1,786,557	455,109			
Highways and streets				726,117	714,870	11,247
Public safety	1,287,245	1,044,482	242,763			
Sanitation	742,763	472,226	270,537			
Health		20,250	(20,250)			
Recreation and culture	335,788	175,331	160,457			
Total Current	8,358,138	8,084,408	273,730	726,117	714,870	11,247
Debt Service:						
Lease principal		49,788	(49,788)			
Lease interest		5,296	(5,296)			
Note principal					56,661	(56,661)
Note interest					17,415	(17,415)
TOTAL EXPENDITURES	8,358,138	8,139,492	218,646	726,117	788,946	(62,829)

CITY OF HELENA-WEST HELENA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 205,028	\$ (720,981)	\$ (926,009)	\$ 93,546	\$ (113,135)	\$ (206,681)
OTHER FINANCING SOURCES (USES)						
Transfers in		310,552	310,552			
Transfers out		(73,960)	(73,960)			
Contribution from water department	120,000	117,337	(2,663)			
TOTAL OTHER FINANCING SOURCES (USES)	120,000	353,929	233,929			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	325,028	(367,052)	(692,080)	93,546	(113,135)	(206,681)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	200,000	(1,646,468)	(1,846,468)	1,324,569	1,324,569	
Restatement adjustment		1,845,135	1,845,135		(1,116,609)	(1,116,609)
FUND BALANCES - JANUARY 1, AS RESTATED	200,000	198,667	(1,333)	1,324,569	207,960	(1,116,609)
FUND BALANCES - DECEMBER 31	\$ 525,028	\$ (168,385)	\$ (693,413)	\$ 1,418,115	\$ 94,825	\$ (1,323,290)

The accompanying notes are an integral part of these financial statements.

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Helena-West Helena was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. The following funds of the City are not presented in this report: Water and Sewer.

B. Basis of Presentation – Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Arkansas Code. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general and street funds; notes to financial statements; and a supplemental schedule of capital assets.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Street Fund - The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback and property taxes that are restricted or committed for maintaining and constructing highways and streets.

Other Funds in the Aggregate - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds are included in this column as follows:

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The following Special Revenue Funds are reported with other funds in the aggregate: Certified Local Government Grant, Fire Equipment and Training (Act 833), River Park Project, District Court Cost, District Court Probation, Tourism, Airport, and Drainage Project.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by Enterprise Funds). The following Capital Projects Funds are reported with other funds in the aggregate: Fire Department and Police Department.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The following Debt Service Fund is reported with other funds in the aggregate: Landfill Debt Service.

Enterprise Funds - Enterprise funds are used to report activity that is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; activity that is legally required to recover its costs through fees or charges; or activity that the government's policy is to establish fees or charges designed to recover the cost of providing services. The following Enterprise Fund is reported with other funds in the aggregate: Landfill.

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the entity in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and other funds. The following Trust and Agency Funds are reported with other funds in the aggregate: Policemen's Pension, Police Bond and Fine, District Court, and Administration of Justice.

C. Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Arkansas Code. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements.

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit.

Investments

Investments are reported at cost.

Settlements Pending

Settlements pending are considered fines, forfeitures, and costs that have not been transferred to the appropriate entities.

Fund Balance Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Assigned fund balance - amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.
3. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

E. Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budget Law

State law requires that these procedures be followed in establishing the budgetary data:

- a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by action of the City Council.
- d. Appropriations lapse at the end of each year.
- e. Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund and Street Fund. The City did not prepare a budget for the other Special Revenue Funds (Certified Local Government Grant, Fire Equipment and Training (Act 833), River Park Project, District Court Cost, District Court Probation, Tourism, Airport, and Drainage Project) and Capital Projects Funds (Fire Department and Police Department).

G. Fund Balance Classification Policies and Procedures

The Municipality's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

The Municipality does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Municipality does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

There were no committed fund balances at December 31, 2012.

NOTE 2: Cash and Investments

Deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk have not been provided as required by Governmental Accounting Standards Board Statement no. 40.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

A. Governmental Fund Types

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of not longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3: Legal or Contractual Provisions for Deposits and Investments (Continued)

B. Pension Trust Funds

State law generally requires that pension funds be deposited in banks. Pension funds may be invested in interest-bearing bonds of the United States, of the State of Arkansas, or of the city in which the board is located, in a local government joint investment trust, in the Arkansas Local Police and Fire Retirement System, or in savings and loan associations duly established and authorized to do business in this state. State law also provides that if the total assets of the pension trust fund exceed \$100,000, the board may employ an investment advisor to invest the assets, subject to terms, conditions, limitations, and restrictions imposed by law upon the Arkansas Local Police and Fire Retirement System.

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	December 31, 2012	
	Reported Amount	Fair Value
Trust:		
Policemen's Pension (alternative investments)	\$ 50,000	\$ 50,000

NOTE 5: Accounts Receivable

The accounts receivable balance at December 31, 2012 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	\$ 38,491	\$ 43,465	\$ 3,767
Property taxes	38,008		
Franchise fees	160,134		
Sales taxes	170,306		232,400
Fines, forfeitures, and costs			44,781
Sanitation fees	75,479		174,101
Hotel and restaurant tax			29,576
Rent			6,172
Other		1,335	
Totals	\$ 482,418	\$ 44,800	\$ 490,797

NOTE 6: Accounts Payable

The accounts payable balance at December 31, 2012 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 832,582	\$ 16,721	\$ 61,225

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2012	
	Interfund Receivables	Interfund Payables
General	\$ 151,795	
Other Funds in the Aggregate:		
Special Revenue Funds:		
District Court Cost		\$ 1,067
District Court Probation	1,067	
Debt Service:		
Landfill		151,795
Totals	<u>\$ 152,862</u>	<u>\$ 152,862</u>

Interfund receivables and payables consist of errors in depositing restricted revenues and transfer of excess sales tax. The \$151,795 was paid in January 2013.

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2012, the legal debt limit for the bonded debt was \$13,550,153. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2012, the legal debt limit for short-term financing obligations was \$3,387,653. The amount of short-term financing obligations was \$127,423 leaving a legal debt margin of \$3,260,230.

NOTE 9: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2012 are composed of the following:

Description	General	Street	Other Funds in the Aggregate
Restricted for:			
General government			\$ 135,394
Law enforcement			265,877
Highways and streets		\$ 94,825	83
Public safety			11,827
Recreation and culture			7,618
Airport			191,157
Debt service			1,302,957
Capital outlay			56,312
Pension benefits			58,611
Total Restricted		<u>94,825</u>	<u>2,029,836</u>
Assigned to:			
Sanitation			<u>939,757</u>
Unassigned	<u>\$ (168,385)</u>		
Totals	<u>\$ (168,385)</u>	<u>\$ 94,825</u>	<u>\$ 2,969,593</u>

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 10: Deficit Fund Balances

The following fund has a deficit fund balance as of December 31, 2012:

	December 31, 2012
General Fund	<u>\$ (168,385)</u>

NOTE 11: Commitments

Total commitments consist of the following at December 31, 2012:

	December 31, 2012
Long-term liabilities	\$ 10,919,748
Sales and use tax overpayment	<u>30,272</u>
Total Commitments	<u>\$ 10,950,020</u>

Long-term liabilities

Long-term liabilities at December 31, 2012 are comprised of the following:

	December 31, 2012
Sales and Use Tax Refunding Bonds Series 2007A - Installments are due on July 1 each year beginning in 2012 and concluding in 2032 with payments ranging from \$265,000 to \$445,000 each year thereafter plus term bonds in the amount of \$2,575,000 and \$3,280,000 with interest of 5% payable July 1, 2027 and 2032, respectively. Payments are to be made from the Debt Service Fund.	\$ 9,495,000
Note payable with USDA for financing street improvements, monthly installments of \$6,173 for 180 months with an interest rate of 4.88%. Payments are to be made from the Street Fund.	320,880
Lease with Scott Financial Services on a 2008 Case excavator and Interstate flatbed trailer, monthly payment of \$1,700 through July 31, 2009, refinanced with a maturity of July 31, 2014, new monthly payment of \$575. Payments are to be made from the General Fund. Interest rate of 5.54%.	11,619
Lease with Scott Financial Services on a 2007 Case Extendahoe, monthly payment of \$1,120 through April 30, 2013. Interest rate of 6.25%. Payments are to be made from the General Fund.	6,823
Lease with BancorpSouth Equipment Finance on a Trashmaster landfill compactor, 2007 articulating truck, and 2007 Komatsu excavator, down payment of \$300,000, monthly payment of \$9,268, matures January 25, 2013. Interest rate of 4.39%. Payments are to be made from the Landfill Fund.	45,836
Lease with Diamler Chrysler Financial on a 2011 Freightliner garbage truck, yearly payment of \$28,985 through August 12, 2014. Interest rate of 3.9%. Payments are to be made from the General Fund.	54,749
Lease with Kansas State Bank of Manhattan on a mower and cutting deck, down payment of \$8,717.87, monthly payment of \$8,717.87, matures August 29, 2013. Interest rate of 1.88%. Payments are to be made from the Landfill Fund.	8,396
Arkansas District Judge Retirement Unfunded Liability. 23 years remaining on unfunded liability. Annual payments are to be made from the General Fund.	102,873
Landfill closure and postclosure care costs.	<u>873,572</u>
Total Long-term liabilities	<u>\$ 10,919,748</u>

Due to the City's regulatory basis of accounting, these liabilities are not recorded in the financial statements.

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 11: Commitments (Continued)

Compensated Absences

Compensated absences do vest or accumulate. The amount of compensated absences was not determined.

Post Employment Benefits Other Than Pensions

The amount of any actuarially determined accrued liability for post employment benefits other than pensions was not determined.

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2012:

Years Ending December 31, 2012	Bonds	Notes	Leases	Total
2013	\$ 756,787	\$ 74,076	\$ 97,895	\$ 928,758
2014	758,808	74,076	34,371	867,255
2015	755,012	74,076		829,088
2016	755,613	74,076		829,689
2017	755,370	64,580		819,950
2018 through 2022	3,794,370			3,794,370
2023 through 2027	3,793,750			3,793,750
2028 through 2032	3,787,500			3,787,500
Total Obligations	15,157,210	360,884	132,266	15,650,360
Less Interest	5,662,210	40,004	4,843	5,707,057
Total Principal	<u>\$ 9,495,000</u>	<u>\$ 320,880</u>	<u>\$ 127,423</u>	<u>\$ 9,943,303</u>

Landfill Closure and Postclosure Care Costs

The City of Helena-West Helena is the owner of permit #0258-S1-R1 to operate a Class I solid waste landfill. State and federal regulations require a final cover to be placed on the landfill site when it stops accepting waste and the performance of certain maintenance and monitoring functions at the site for two years after the closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, a portion of these closure and postclosure care costs are being recognized as a commitment each year based on landfill capacity used as of the balance sheet date. The estimated commitment for the landfill closure and postclosure care costs has a balance of \$873,572 as of December 31, 2012, and represents the cumulative amount reported to date based on 61% usage of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$562,599 as the remaining capacity is filled. At the present utilization rate, the landfill site is estimated to exhaust in 25.5 years from the balance sheet date.

Estimated costs are based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2012. However, the actual cost of closure and postclosure may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

In accordance with Ark. Code Ann. § 8-6-1603, the City has provided financial assurance of \$1,852,957 in the form of a Surety Bond.

Sales and Use Tax Overpayment

During 2011, the City was notified that Phillips County and cities within the County received more sales and use tax than they should have. The amounts of the overpayments will be withheld from the sales and use tax remitted to the County, which will result in less sales and use taxes distributed to the cities within the County. The amounts withheld from the City will be reflected in these financial statements as loan principal. Based on information provided by the Arkansas Department of Finance and Administration, the City is obligated for \$30,272 for 2013.

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 12: Interfund Transfers

The General Fund transferred \$73,960 to Other Funds in the Aggregate for grant matching funds. Other Funds in the Aggregate transferred \$310,552 to the General Fund for various reimbursements of expenses and sales taxes collected in excess of the debt service requirements on the sales tax bonds.

NOTE 13: Prior Year Restatement

The January 1, 2012 fund balances for the General Fund, Street Fund, and Other Funds in the Aggregate were restated in the amounts of \$1,845,135, (\$1,116,609), (\$741,706), respectively. The City removed prior year interfund payables and receivables to increase/(decrease) fund balances by \$1,601,204 for the General Fund, (\$1,135,262) for the Street Fund, and (\$465,942) for Other Funds in the Aggregate. Also, within the General and Street Funds, the January 1, 2012 fund balances had net increases of \$243,931 and \$18,653, respectively, due to unrecorded accounts receivable and accounts payable in prior year. Also, Other Funds in the Aggregate January 1, 2012 fund balance decreased by \$275,764, because the City determined certain receivables to be uncollectable.

NOTE 14: Pledged Revenues

The City pledged future 1% sales and use taxes to repay \$9,760,000 in bonds that were issued in 2007 to provide funding for capital improvements and refund a prior bond issue. Total principal and interest remaining on the bonds are \$9,495,000 and \$5,662,210, respectively, payable through July 1, 2032. For 2012, principal and interest paid were \$265,000 and \$473,315, respectively.

The City pledged future 1% sales and use taxes to repay \$875,000 in bonds that were issued in 2007 to refund a prior bond issue. For 2012, principal and interest paid were \$15,000 and \$338, respectively. The bonds have been paid in full.

The Debt Service Fund received \$1,158,365 in sales taxes in 2012. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for other city expenditures.

NOTE 15: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements, if any, has not exceeded the insurance coverage for each of the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Workers' Compensation - This program provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

Municipal Vehicle Program

- A. Liability - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is as follows: \$25,000 because of bodily injury to or death of one person in any one accident; \$50,000 because of bodily injury to or death of two or more persons in any one accident; and \$25,000 because of injury to or destruction of property of others in any one accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and self-propelled mobile equipment owned or leased by the City.
- B. Physical Damage - This program covers motor vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$1,000 per occurrence. The City agrees to pay into the program each year a service charge established annually by the program administrator for covered property.

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 15: Risk Management (Continued)

Municipal Property Program - This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody, or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$5,000, or in the case of flood or earthquake, \$100,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

Municipal Legal Defense Program - The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages – not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials, and employees because of judgment in any one lawsuit for more than 25% of the program's available funds at time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first \$3,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$250,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$2,500 deductible per occurrence.

NOTE 16: Policemen's Pension and Relief Plan

Plan Description

The Policemen's Pension and Relief Plan is now administered by the State Local Police and Fire Retirement System (LOPFI). There were no participant contributions made to the City's pension plan in 2012. The current plan consists of an alternative investment in the amount of \$50,000 and cash in the amount of \$8,611 that was earned on the investment. This investment will be closed and sent to the State LOPFI plan in 2013.

**NOTE 17: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)**

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, P. O. Drawer 34164, Little Rock, Arkansas 72203 or by calling 1-501-682-1745.

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A. Paid service not covered by Social Security: 8.5% of gross pay
- B. Paid service also covered by Social Security: 2.5% of gross pay
- C. Volunteer fire service: no employee contribution

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

**NOTE 17: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan) (Continued)**

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees.

NOTE 18: Arkansas Public Employees Retirement System

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy

PERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation.

CITY OF HELENA-WEST HELENA, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2012

Schedule 1

	SPECIAL REVENUE FUNDS							CAPITAL PROJECTS FUNDS	
	Certified Local Government Grant	Fire Equipment and Training (Act 833)	District Court Cost	District Court Probation	Tourism	Airport	Drainage Project	Fire Department	Police Department
ASSETS									
Cash and cash equivalents	\$ 7,618	\$ 19,136	\$ 107,090	\$ 121,312	\$ 133,323	\$ 189,528	\$ 83	\$ 3	\$ 56,309
Investments									
Accounts receivable		3,767	44,781		29,576	6,395			
Interfund receivables				1,067					
TOTAL ASSETS	<u>\$ 7,618</u>	<u>\$ 22,903</u>	<u>\$ 151,871</u>	<u>\$ 122,379</u>	<u>\$ 162,899</u>	<u>\$ 195,923</u>	<u>\$ 83</u>	<u>\$ 3</u>	<u>\$ 56,309</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable		\$ 11,076	\$ 7,306		\$ 27,505	\$ 4,766			
Interfund payables			1,067						
Settlements pending									
Total Liabilities		<u>11,076</u>	<u>8,373</u>		<u>27,505</u>	<u>4,766</u>			
Fund Balances:									
Restricted	\$ 7,618	11,827	143,498	\$ 122,379	135,394	191,157	\$ 83	\$ 3	\$ 56,309
Assigned									
Total Fund Balances	<u>7,618</u>	<u>11,827</u>	<u>143,498</u>	<u>122,379</u>	<u>135,394</u>	<u>191,157</u>	<u>83</u>	<u>3</u>	<u>56,309</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,618</u>	<u>\$ 22,903</u>	<u>\$ 151,871</u>	<u>\$ 122,379</u>	<u>\$ 162,899</u>	<u>\$ 195,923</u>	<u>\$ 83</u>	<u>\$ 3</u>	<u>\$ 56,309</u>

CITY OF HELENA-WEST HELENA, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2012

Schedule 1

	DEBT SERVICE FUND	ENTERPRISE FUND	TRUST FUND	AGENCY FUNDS			
	Landfill Debt Service	Landfill	Policemen's Pension	Police Bond and Fine	District Court	Administration of Justice	Totals
ASSETS							
Cash and cash equivalents	\$ 1,222,575	\$ 776,228	\$ 8,611	\$ 18,438	\$ 489,606	\$ 28,134	\$ 3,177,994
Investments			50,000				50,000
Accounts receivable	232,177	174,101					490,797
Interfund receivables							1,067
TOTAL ASSETS	<u>\$ 1,454,752</u>	<u>\$ 950,329</u>	<u>\$ 58,611</u>	<u>\$ 18,438</u>	<u>\$ 489,606</u>	<u>\$ 28,134</u>	<u>\$ 3,719,858</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable		\$ 10,572					\$ 61,225
Interfund payables	\$ 151,795						152,862
Settlements pending				\$ 18,438	\$ 489,606	\$ 28,134	536,178
Total Liabilities	<u>151,795</u>	<u>10,572</u>		<u>18,438</u>	<u>489,606</u>	<u>28,134</u>	<u>750,265</u>
Fund Balances:							
Restricted	1,302,957		\$ 58,611				2,029,836
Assigned		939,757					939,757
Total Fund Balances	<u>1,302,957</u>	<u>939,757</u>	<u>58,611</u>				<u>2,969,593</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,454,752</u>	<u>\$ 950,329</u>	<u>\$ 58,611</u>	<u>\$ 18,438</u>	<u>\$ 489,606</u>	<u>\$ 28,134</u>	<u>\$ 3,719,858</u>

CITY OF HELENA-WEST HELENA, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule 2

	SPECIAL REVENUE FUNDS							
	Certified Local Government Grant	Fire Equipment and Training (Act 833)	River Park Project	District Court Cost	District Court Probation	Tourism	Airport	Drainage Project
REVENUES								
State aid	\$ 13,000	\$ 85,270					\$ 27,146	
Federal aid							50,510	\$ 21,898
Sales taxes							4,415	
Fines, forfeitures, and costs				\$ 254,586	\$ 7,297			
Interest		16			104	\$ 605	19	
Sanitation fees								
Hotel and restaurant tax						272,020		
Rent							61,585	
Other	50	3,000		608		52,664		
TOTAL REVENUES	13,050	88,286		255,194	7,401	325,289	143,675	21,898
EXPENDITURES								
Current:								
General government						425,661		
Law enforcement				185,104	88			
Highways and streets								22,015
Public safety		29,913						
Sanitation								
Recreation and culture	5,493		\$ 400					
Airport							132,552	
Total Current	5,493	29,913	400	185,104	88	425,661	132,552	22,015
Debt Service:								
Bond principal								
Bond interest and other charges								
Lease principal								
Lease interest								
Loan principal (sales tax withheld)								
TOTAL EXPENDITURES	5,493	29,913	400	185,104	88	425,661	132,552	22,015
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,557	58,373	(400)	70,090	7,313	(100,372)	11,123	(117)
OTHER FINANCING SOURCES (USES)								
Transfers in								100
Transfers out		(34,094)	(35)					
TOTAL OTHER FINANCING SOURCES (USES)		(34,094)	(35)					100
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	7,557	24,279	(435)	70,090	7,313	(100,372)	11,123	(17)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	61	(12,452)	435	73,408	115,066	238,115	180,034	100
Restatement adjustment						(2,349)		
FUND BALANCES - JANUARY 1, AS RESTATED	61	(12,452)	435	73,408	115,066	235,766	180,034	100
FUND BALANCES - DECEMBER 31	\$ 7,618	\$ 11,827	\$ 0	\$ 143,498	\$ 122,379	\$ 135,394	\$ 191,157	\$ 83

CITY OF HELENA-WEST HELENA, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule 2

	CAPITAL PROJECTS FUNDS		DEBT SERVICE FUND	ENTERPRISE FUND	TRUST FUND	
	Fire Department	Police Department	Landfill Debt Service	Landfill	Policemen's Pension	Totals
REVENUES						
State aid						\$ 125,416
Federal aid	\$ 39,000	\$ 99,495				210,903
Sales taxes			\$ 1,158,365			1,162,780
Fines, forfeitures, and costs						261,883
Interest			5,727	\$ 1,343	\$ 3,168	10,982
Sanitation fees				512,611		512,611
Hotel and restaurant tax						272,020
Rent						61,585
Other		7,098		5,127		68,547
TOTAL REVENUES	39,000	106,593	1,164,092	519,081	3,168	2,686,727
EXPENDITURES						
Current:						
General government						425,661
Law enforcement		153,530				338,722
Highways and streets						22,015
Public safety	113,764					143,677
Sanitation				458,037		458,037
Recreation and culture						5,893
Airport						132,552
Total Current	113,764	153,530		458,037		1,526,557
Debt Service:						
Bond principal			280,000			280,000
Bond interest and other charges			480,575			480,575
Lease principal				106,028		106,028
Lease interest				4,639		4,639
Loan principal (sales tax withheld)			181,630			181,630
TOTAL EXPENDITURES	113,764	153,530	942,205	568,704		2,579,429
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(74,764)	(46,937)	221,887	(49,623)	3,168	107,298
OTHER FINANCING SOURCES (USES)						
Transfers in	73,860					73,960
Transfers out		(1,423)	(275,000)			(310,552)
TOTAL OTHER FINANCING SOURCES (USES)	73,860	(1,423)	(275,000)			(236,592)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(904)	(48,360)	(53,113)	(49,623)	3,168	(129,294)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	907	569,703	1,356,070	1,263,703	55,443	3,840,593
Restatement adjustment		(465,034)		(274,323)		(741,706)
FUND BALANCES - JANUARY 1, AS RESTATED	907	104,669	1,356,070	989,380	55,443	3,098,887
FUND BALANCES - DECEMBER 31	\$ 3	\$ 56,309	\$ 1,302,957	\$ 939,757	\$ 58,611	\$ 2,969,593

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2012

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
Certified Local Government Grant	Fund established to receive state and federal grants to be used for the promotion of downtown Helena.
Fire Equipment and Training (Act 833)	Ark. Code Ann. § 14-284-403 requires insurance premium tax funds to be distributed by the County to municipal fire departments for training, purchase and improvement of fire fighting equipment, and initial capital construction or improvements of fire departments.
River Park Project	Established to receive and disburse monies designated for the operation and maintenance of the River Park.
District Court Cost	Ark. Code Ann. § 16-17-126 authorizes District Court filing fees for writs of garnishment and executions to be appropriated for any permissible use in the administration of the District Court.
District Court Probation	Ark. Code Ann. § 5-4-322 authorizes District Court probation fees for probation and public service work supervision.
Tourism	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the City and its environs; construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued.
Airport	Ark. Code Ann. §§ 14-359-101 - 121 established the Municipal Airport Commission to operate and manage the airport. All revenue derived from the operation of the airport or flying field, after paying the operating expenses and maintenance, shall be set aside and used for additional improvements on the airport or for the retirement of bonds and interest thereon issued or advancement made for the purchase and improvement of the airport or flying field.
Drainage Project	Fund established to receive state and federal grants to be used for the drainage improvement of West Street.
Fire Department	Combination of several funds designated for the purchase of fire equipment and vehicles supported by grants.
Police Department	Combination of several funds designated for the purchase of police equipment and vehicles supported by grants.
Landfill Debt Service	Established by Helena-West Helena Ordinance no. 21-2007 (July 24, 2007) providing a reserve for payment of principal and interest on landfill bonds.

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2012

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
Landfill	Fund established to receive and disburse monies for the operation and maintenance of the City landfill.
Policemen's Pension	Ark. Code Ann. § 24-11-403 established fund to receive property taxes, state aid, and other revenues allowed by law for support of police retirement programs.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the District Court.
Administration of Justice	Ark. Code Ann. § 16-10-308 established fund to receive the City's share of uniform court costs and filing fees levied by state law to be used to defray a part of the expenses of the administration of justice in the City.

CITY OF HELENA-WEST HELENA, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2012
(Unaudited)

Schedule 3

	December 31, 2012
Land	\$ 69,956
Buildings	13,768,975
Equipment	<u>2,770,981</u>
Total	<u>\$ 16,609,912</u>

CITY OF HELENA-WEST HELENA, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
DECEMBER 31, 2012
(Unaudited)

Schedule 4

<u>General</u>	2012	2011	2010	2009	2008
Total Assets	\$ 664,197	\$ 423,995	\$ 806,046	\$ 693,160	\$ 731,000
Total Liabilities	832,582	2,070,463	3,096,320	1,304,735	1,050,242
Total Fund Balances	(168,385)	(1,646,468)	(2,290,274)	(611,575)	(319,242)
Total Revenues	7,418,511	5,427,339	5,590,994	6,624,775	8,323,744
Total Expenditures	8,139,492	7,328,039	10,569,396	8,184,461	8,703,580
Total Other Financing Sources/Uses	353,929	2,544,506	3,220,369	1,267,354	632,661
<u>Street</u>					
Total Assets	\$ 111,546	\$ 1,357,281	\$ 1,346,285	\$ 1,184,796	\$ 1,012,300
Total Liabilities	16,721	32,712	17,624	20,784	
Total Fund Balances	94,825	1,324,569	1,328,661	1,164,012	1,012,300
Total Revenues	675,811	715,437	864,473	971,128	1,163,088
Total Expenditures	788,946	719,529	699,824	393,443	624,959
Total Other Financing Sources/Uses					5,000
<u>Other Funds in the Aggregate</u>					
Total Assets	\$ 3,719,858	\$ 4,445,958	\$ 5,203,523	\$ 4,710,309	\$ 5,977,293
Total Liabilities	750,265	605,314	593,874	376,174	375,313
Total Fund Balances	2,969,593	3,840,644	4,609,649	4,334,135	5,601,980
Total Revenues	2,686,727	5,756,314	6,418,454	3,135,877	2,824,924
Total Expenditures	2,579,429	4,080,268	3,130,761	3,685,574	4,150,936
Total Other Financing Sources/Uses	(236,592)	(2,442,169)	(3,220,369)	(847,038)	19,355