

City of Helena-West Helena, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2017

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF HELENA-WEST HELENA, ARKANSAS
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS 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, 2017, and the related notes to the financial statements as listed in the table of contents.

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 Ark. Code Ann. § 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

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 U.S. Generally Accepted Accounting Principles" paragraph, 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, 2017, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Helena-West Helena, Arkansas, as of December 31, 2017, 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 Ark. Code Ann. § 10-4-412 described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City would have included another fund under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*. However, under the regulatory basis, this fund is not required to be included as part of the reporting entity. Our opinions are not modified with respect to this matter.

Other Matters

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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2018, 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.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
August 27, 2018
LOM11117

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Lance Eads
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Mary Bentley
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS 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 the 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, 2017 and the related notes to the financial statements, and have issued our report thereon dated August 27, 2018. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, 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. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

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 (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 2017:

Mayor: Jay Hollowell
City Clerk: Sandra Ramsey
City Treasurer: Derrick Turner
District Court Clerk: Dionne Carter
Police Chief: James Patrick Smith
Advertising and Promotion Commission Chairperson: Cathy Cunningham

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.

Our audit procedures indicated that the office of **Police Chief** was in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices was noted in the offices of **Mayor, City Clerk, Treasurer, and District Court Clerk**.

Mayor/District Court Clerk

Review of District Court receipts and deposits for the period January 1, 2017 through May 11, 2018, revealed the following:

- Receipts exceeded deposits by \$2,568 due to 17 manual receipts that were apparently not deposited. Of the 17 undeposited receipts, 14 were issued by an individual who serves as Court Officer, and 3 were issued by District Court office staff.
- Manual receipts were not entered in the computer system timely, and numerous manual receipts were not entered in the computer system at all.
- Incorrect amounts were entered in the computer system for several manual receipts.
- Receipts were not always deposited timely, as required by Ark. Code Ann. § 16-10-209.

Mayor/City Clerk/City Treasurer/District Court Clerk

We noted the following issues during our review of District Court payroll:

- The District Court Clerk received full-time salary and benefits; however, her work hours were 9:00 am to 3:00 pm, in noncompliance with the City's employee handbook which states that a standard workday is 8:00 am to 5:00 pm (except on Fridays, which end at 4:00 pm). Also, timesheets were not provided for the District Court Clerk.
- Two employees were engaging in other employment activities during the normal business day:
 - The District Court Clerk was paid \$1,430 by the City of Elaine as a Deputy Court Clerk from 2014-2017 and was paid \$3,631 and \$3,131 annually by Phillips County in 2017 and from 2013-2016, respectively.
 - A Court Security Officer was paid \$943 by the Cities of Elaine and Lakeview as court security from 2015-2018 and drove a City of Helena-West Helena vehicle to his other employment locations.
- Employees received overtime for working during lunch breaks, although city policy indicates employees are not to work during their meal break without proper approval of their immediate supervisor; documentation indicating prior approval was not provided.

Mayor

The City paid \$24,000 to the Boys and Girls Club of Phillips County for youth activity services in 2017 without executing a signed contract with the organization, in apparent conflict with Ark. Const. art. 12, § 5, as interpreted by Op. Att'y Gen. no. 1992-099.

Mayor/Advertising and Promotion Commission Chairperson

Without a contract for services, the Advertising and Promotion Commission made payments totaling \$28,212 to the following organizations, in violation of the "public purpose" doctrine and Ark. Const. art 12, § 5, which states in part, "No...city...shall obtain or appropriate money for...any corporation, association, institution, or individual":

- \$5,000 to Main Street Helena.
- \$5,000 to the Helena-West Helena Booster Club.
- \$5,000 to Thrive, Inc. (for Cherry Street Fair).
- \$5,000 to the King Biscuit Blues Festival.
- \$4,000 to the Legendary Blues Festival.
- \$1,500 to the Arkansas Delta Arts Partnership.
- \$1,500 to Bar BQ & Blues on the Levee.
- \$1,000 to Tour da Delta.
- \$144 to Bailee Mae's (on behalf of Duck's Unlimited authors).
- \$68 to Southbound Pizza (on behalf of Duck's Unlimited authors).

The payments totaling \$5,000 to the Helena-West Helena Booster Club were also in violation of Ark. Code Ann. § 26-75-606(c)(2)(C), which prohibits taxes from being used for "general subsidy of any civic group...."

Mayor/City Clerk/City Treasurer

Moving expenses of \$5,000 were not reported on the Police Chief's Internal Revenue Service (IRS) Form W-2, nor approved by the City Council, and personal use of City vehicles was not reported on his IRS Form W-2.

Mayor/District Court Clerk

The District Court Clerk was in noncompliance with Ark. Code Ann. § 16-10-209 and other proper accounting procedures as enumerated below.

- The December bank reconciliation did not agree with the cash receipts and disbursements journals.
- Cash receipts and disbursements and journals were not properly maintained.
- Receipts were not reconciled with the monthly bank deposits.
- Year-end bank balances of \$130,822 were not identified with receipt numbers for cases not yet adjudicated and the payments made on all unpaid individual time accounts because a December 31, 2017, bonds pending report was not generated. A similar finding was issued for years 2013 through 2016.
- Settlements to Department of Finance and Administration and Phillips County were not remitted within ten days of month end for June through December, and refunds were not remitted on court cases. Also, it was noted that the City and Phillips County were overpaid in April 2017.
- Receipt ranges were not always indicated on deposit slips, and incorrect ranges were indicated on four of ten deposit slips tested.
- Cash/check composition for five of ten deposits tested did not agree with receipts.
- Amounts and names of payors were altered on manual receipts for two of ten deposits tested.
- Manual surety bond receipts did not indicate method of payment (i.e. cash or check).

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.

ARKANSAS LEGISLATIVE AUDIT



Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
August 27, 2018

CITY OF HELENA-WEST HELENA, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2017

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 109,317	\$ 154,338	\$ 2,386,730
Accounts receivable	448,385		340,410
TOTAL ASSETS	\$ 557,702	\$ 154,338	\$ 2,727,140
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 347,421	\$ 19,259	\$ 88,798
Settlements pending			138,121
Total Liabilities	347,421	19,259	226,919
Fund Balances:			
Restricted		135,079	2,070,870
Committed	127,288		
Assigned	230		429,351
Unassigned	82,763		
Total Fund Balances	210,281	135,079	2,500,221
TOTAL LIABILITIES AND FUND BALANCES	\$ 557,702	\$ 154,338	\$ 2,727,140

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, 2017

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 229,434	\$ 581,942	\$ 367,416
Federal aid		32,477	512,831
Property taxes	394,477	94,858	
Franchise fees	666,862		
Sales taxes	2,248,354		2,881,807
Fines, forfeitures, and costs	98,905		39,597
Interest	406	226	6,707
Local permits and fees	76,520		
Sanitation fees	1,232,539		
Advertising and promotion taxes			246,993
Landfill fees			831,984
Donations			31,350
Rent			41,459
Other	202,849	13,369	16,339
TOTAL REVENUES	5,150,346	722,872	4,976,483
EXPENDITURES			
Current:			
General government	1,600,036		
Law enforcement	2,718,011		56,303
Highways and streets	418,683	710,708	
Public safety	1,636,675		67,066
Sanitation	1,254,230		
Health	9,400		
Recreation and culture	15,316		750,493
Advertising and promotion			222,141
Airport			64,175
Landfill			1,000,581
Total Current	7,652,351	710,708	2,160,759
Debt Service:			
Bond principal			140,000
Bond interest and other charges			170,711
Lease principal	169,676	51,240	168,263
Lease interest	41,915	4,066	23,583
Note principal			27,450
Note interest			89
Principal paid on behalf of USDA bonds		62,838	
Interest paid on behalf of USDA bonds		1,517	
TOTAL EXPENDITURES	7,863,942	830,369	2,690,855

CITY OF HELENA-WEST HELENA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (2,713,596)	\$ (107,497)	\$ 2,285,628
OTHER FINANCING SOURCES (USES)			
Transfers in	2,734,199	95,421	5,533
Transfers out	(5,533)		(2,829,620)
Contribution from water department	62,337		
Lawsuit settlements	(52,500)		
TOTAL OTHER FINANCING SOURCES (USES)	2,738,503	95,421	(2,824,087)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	24,907	(12,076)	(538,459)
FUND BALANCES - JANUARY 1	185,374	147,155	3,038,680
FUND BALANCES - DECEMBER 31	\$ 210,281	\$ 135,079	\$ 2,500,221

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, 2017

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 194,792	\$ 229,434	\$ 34,642	\$ 581,943	\$ 581,942	\$ (1)
Federal aid					32,477	32,477
Property taxes	460,212	394,477	(65,735)	9,699	94,858	85,159
Franchise fees	666,862	666,862				
Sales taxes	2,248,354	2,248,354				
Fines, forfeitures, and costs	226,985	98,905	(128,080)			
Interest	406	406		226	226	
Local permits and fees	67,150	76,520	9,370			
Sanitation fees	1,232,539	1,232,539				
Other	281,686	202,849	(78,837)	19,598	13,369	(6,229)
TOTAL REVENUES	5,378,986	5,150,346	(228,640)	611,466	722,872	111,406
EXPENDITURES						
Current:						
General government	1,511,525	1,600,036	(88,511)			
Law enforcement	2,730,511	2,718,011	12,500			
Highways and streets	578,221	418,683	159,538	585,022	710,708	(125,686)
Public safety	1,642,103	1,636,675	5,428			
Sanitation	1,174,650	1,254,230	(79,580)			
Health	9,400	9,400		2,202		2,202
Recreation and culture	15,316	15,316				
Total Current	7,661,726	7,652,351	9,375	587,224	710,708	(123,484)
Debt Service:						
Lease principal	328,928	169,676	159,252	51,240	51,240	
Lease interest	62,243	41,915	20,328	4,066	4,066	
Principal paid on behalf of USDA bonds				62,838	62,838	
Interest paid on behalf of USDA bonds				1,517	1,517	
TOTAL EXPENDITURES	8,052,897	7,863,942	188,955	706,885	830,369	(123,484)

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, 2017

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (2,673,911)	\$ (2,713,596)	\$ (39,685)	\$ (95,419)	\$ (107,497)	\$ (12,078)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,775,011	2,734,199	(40,812)	95,421	95,421	
Transfers out	(68,200)	(5,533)	62,667			
Contribution from water department	62,337	62,337				
Lawsuit settlements	(52,500)	(52,500)				
Payments in lieu of taxes	19,424		(19,424)			
TOTAL OTHER FINANCING SOURCES (USES)	2,736,072	2,738,503	2,431	95,421	95,421	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	62,161	24,907	(37,254)	2	(12,076)	(12,078)
FUND BALANCES - JANUARY 1		185,374	185,374		147,155	147,155
FUND BALANCES - DECEMBER 31	\$ 62,161	\$ 210,281	\$ 148,120	\$ 2	\$ 135,079	\$ 135,077

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

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following funds of the City would have been included in the reporting entity: Water and Sewer. However, under Arkansas's regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

B. Basis of Presentation – Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Ark. Code Ann. § 10-4-412. 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. See Schedules 1 and 2 for Special Revenue Funds as reported with other funds in the aggregate.

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. See Schedules 1 and 2 for Debt Service Funds as reported with other funds in the aggregate.

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. See Schedules 1 and 2 for the Enterprise Fund reported with other funds in the aggregate.

Agency Funds - Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). See Schedule 1 for the Agency Fund reported with other funds in the aggregate.

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. § 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally 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. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. 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, and short-term investments with an original maturity of three months or less.

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. Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).
3. 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.
4. 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, 2017

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 ordinance or resolution 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, Street Fund and the other operating funds.

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.

NOTE 2: Cash Deposits with Financial Institutions

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 1,439,605	\$ 1,445,501
Collateralized:		
Collateral held by the City's agent, pledging bank, or pledging bank's trust department or agent in the City's name	1,043,969	1,214,087
U.S. government guaranteed accounts	166,581	166,581
Total Deposits	\$ 2,650,155	\$ 2,826,169

The above total deposits do not include cash on hand of \$230.

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

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.

NOTE 4: Accounts Receivable

The accounts receivable balance at December 31, 2017, is composed of the following:

Description	General Fund	Other Funds in the Aggregate
Franchise fees	\$ 155,380	
Sales taxes	185,312	\$ 242,704
Sanitation fees	102,026	
Advertising and promotion taxes		19,809
Landfill fees		62,225
Rent		13,142
Contribution from water department	5,667	
Other		2,530
Totals	<u>\$ 448,385</u>	<u>\$ 340,410</u>

NOTE 5: Accounts Payable

The accounts payable balance at December 31, 2017, is composed of the following:

Description	General Fund	Road Fund	Other Funds in the Aggregate
Vendor payables	<u>\$ 347,421</u>	<u>\$ 19,259</u>	<u>\$ 88,798</u>

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2017, are composed of the following:

<u>Description</u>	<u>General Fund</u>	<u>Road Fund</u>	<u>Other Funds in the Aggregate</u>
Fund Balances:			
Restricted for:			
Law enforcement			\$ 36,512
Highways and streets		\$ 135,079	
Public safety			82,509
Recreation and culture			660
Advertising and promotion			347,075
Airport			237,639
Debt service			1,366,475
Total Restricted		<u>135,079</u>	<u>2,070,870</u>
Committed for:			
Law enforcement	\$ 127,288		
Total Committed	<u>127,288</u>		
Assigned to:			
Law enforcement	230		
Advertising and promotion			1,391
Landfill			427,960
Total Assigned	<u>230</u>		<u>429,351</u>
Unassigned	<u>82,763</u>		
Totals	<u>\$ 210,281</u>	<u>\$ 135,079</u>	<u>\$ 2,500,221</u>

NOTE 7: 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, 2017, the legal debt limit for the bonded debt was \$14,305,974. 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, 2017, the legal debt limit for short-term financing obligations was \$3,804,499. The amount of short-term financing obligations was \$1,566,369, leaving a legal debt margin of \$2,238,130.

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8: Commitments

Total commitments consist of the following at December 31, 2017:

	December 31, 2017
Long-term liabilities	\$ 13,310,023
Noncancellable leases	236,393
Construction contracts	246,441
 Total Commitments	 \$ 13,792,857

Long-term liabilities

Long-term liabilities at December 31, 2017, are comprised of the following:

	December 31, 2017
Sales and Use Tax Refunding Bonds Series 2016 - Installments are due on July 1 each year beginning 2018 and concluding 2032 with payments ranging from \$240,000 to \$595,000 each year thereafter plus term bonds in the amount of \$1,105,000 and \$2,645,000 with interest of 3.25% and 4.75% payable July 1, 2026 and 2032, respectively. Payments are to be made from Landfill Debt Service Fund.	\$ 8,115,000
Sales and Use Tax Bonds Series 2014 - Installments are due on June 1 each year beginning 2015 and concluding 2023 with payments ranging from \$135,000 to \$160,000 each year thereafter plus interest ranging from 1 - 3.25%. Payments are to be made from Street Debt Service Fund.	895,000
Lease purchase with Leasing 2, Inc. (Santander Bank) on a E-One 2014 Typhoon custom tanker, yearly payment of \$44,204 through September 15, 2023. Interest Rate of 3.59%. Payments are to be made from the General Fund.	234,840
Lease purchase with Government Capital Corporation (Kansas State Bank) on two 2015 Freightliners M2-106 with Petersen TL3 Lightning knuckleboom loaders, monthly payments of \$4,609 for 60 months, through June 25, 2019. Interest rate of 3.762%. Payments are to be made from the Street Fund.	80,539
Lease purchase with Wells Fargo Finance on a 2010 Komatsu D65WX-16 crawler dozer, monthly payments of \$1,987 for 72 months, through May 2020. Interest rate of 5.25%. Payments are to be made from the Landfill Fund.	52,956
Lease purchase with Wells Fargo Finance on a 2010 Komatsu D65PX-16 crawler dozer, monthly payments of \$2,036 for 72 months, through May 2020. Interest rate of 5.25%. Payments are to be made from the Landfill Fund.	54,442
Lease purchase with Leasing 2, Inc. (Santander Bank) on a AI-Jon Advantage 500 compactor, monthly payments of \$4,719 for 84 months, through July 28, 2021. Interest rate of 3.39%. Payments are to be made from the Landfill Fund.	190,814

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8: Commitments (Continued)

	December 31, 2017
Lease purchase with Leasing 2, Inc. (Santander Bank) on three new E-One Navistar 4400 commercial pumpers, yearly payment of \$79,726 for ten years, through December 15, 2024. Interest rate of 3.985%. Payments are to be made from the General Fund (Fire Pumper Account).	\$ 478,782
Lease purchase with Government Capital Corporation (Kansas State Bank) on ten 2016 Chevy Impalas and one 2015 Chevy Impala, monthly payments of \$5,338 for 60 months, through November 15, 2020. Interest rate of 3.917%. Payments are to be made from the General Fund.	176,291
Lease purchase with Government Capital Corporation (Kansas State Bank) on a 2013 Komatsu used excavator and a 2013 Komatsu used articulated haul truck, monthly payments of \$6,910 for 48 months, through November 18, 2020. Payments are to be made from the Landfill Fund.	230,570
Lease purchase with Government Capital Corporation (Kansas State Bank) on a 2015 Mack automated sanitation truck, monthly payments of \$1,967 for 48 months, through December 13, 2020. Payments are to be made from the General Fund.	67,135
Arkansas District Judge Retirement Unfunded Liability. Eighteen years remaining on unfunded liability. Annual payments are to be made from the General Fund.	64,493
Landfill closure and postclosure care costs.	1,165,886
Corps of Engineers Project costs	1,404,299
Compensated absences	98,976
Total Long-term liabilities	\$ 13,310,023

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

Post Employment Benefits Other Than Pensions

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

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8: Commitments (Continued)

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2017:

Years Ending December 31,	Bonds	Leases	Total
2018	\$ 684,958	\$ 454,721	\$ 1,139,679
2019	907,958	427,068	1,335,026
2020	905,758	356,793	1,262,551
2021	906,662	156,964	1,063,626
2022	905,487	123,930	1,029,417
2023 through 2027	3,876,281	203,656	4,079,937
2028 through 2032	3,706,581		3,706,581
Total Obligations	11,893,685	1,723,132	13,616,817
Less Interest	2,883,685	156,763	3,040,448
Total Principal	<u>\$ 9,010,000</u>	<u>\$1,566,369</u>	<u>\$ 10,576,369</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 landfill closure and postclosure care costs has a balance of \$1,165,886 as of December 31, 2017, and represents the cumulative amount reported to date based on 68.61% usage of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$533,404 as the remaining capacity is filled. At the present utilization rate, the landfill site is estimated to exhaust in 14.68 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, 2017. 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 \$1,498,057 in the form of a Surety Bond.

Corps of Engineers Project Costs

The City of Helena entered into an agreement with the US Army Corps of Engineers in 1997 for the construction of the structural flood control features of the City of Helena and Vicinity Project. The agreement stated that costs would be shared 75% (Federal) and 25% (non-Federal). A portion of the City's costs were offset by the City providing Lands, Easements, Rights-of-Way, Relocations, and Dredge material disposal areas (LERRDs). The balance of the City's 25% share after consideration of all LERRDs provided by the City is \$1,424,809. In September 2016, the Department of the Treasury intercepted \$20,510 of federal payments that the City Airport had applied for and applied it to the City's Project debt. The City has requested forgiveness of the debt; however, as of June 2018, no relief has been granted. As of December 31, 2017, the balance is \$1,404,299.

CITY OF HELENA-WEST HELENA, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE 8: Commitments (Continued)

Noncancellable Leases

The City entered into four noncancellable lease agreements for a total of six sanitation trucks from October 2015 through December 2019. Terms of the leases are monthly rental payments ranging from \$4,234 to \$9,173. At the end of the lease terms, the City will return the sanitation trucks. The City is obligated for the following amounts for the next two years:

<u>Year</u>	<u>December 31, 2017</u>
2018	\$ 135,485
2019	<u>100,908</u>
Total	<u>\$ 236,393</u>

Rental expense for 2017 was \$179,579.

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2017:

<u>Project Name</u>	<u>Estimated Completion Date</u>	<u>Contract Balance December 31, 2017</u>
Crow ley Ridge Project	December 2018	\$ 174,835
Landfill Cell	August 2018	<u>71,606</u>
Total Construction Contracts		<u>\$ 246,441</u>

NOTE 9: Interfund Transfers

Other Funds in the Aggregate transferred \$2,734,199 to the General Fund for sales taxes collected in excess of the debt service requirements on the 2007 sales tax bonds (\$2,606,911) and to close an account (\$127,288). Other Funds in the Aggregate transferred \$95,421 to the Street Funds for sales taxes collected in excess of the debt service requirement on the 2014 sales tax bonds. General Fund transferred \$5,533 to Other Funds in the Aggregate for various expenses.

NOTE 10: Pledged Revenues

Sales and Use Tax

2014 Bonds

The City pledged future 0.5% sales and use taxes to repay \$1,305,000 in bonds that were issued in 2014 to provide funding for street improvements. Total principal and interest remaining on the bonds are \$895,000 and \$89,472, respectively, payable through June 1, 2023. For 2017, principal and interest paid were \$140,000 and \$27,358, respectively.

The Street Debt Service Fund received \$262,953 in municipal aid in 2017 for highways that the City elected to deposit in the fund. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for other city expenditures.

2016 Bonds

The City pledged future 2% sales and use taxes to repay \$8,115,000 in bonds that were issued in 2016 to refund a 2007 bond issue that was used to provide funding for capital improvements and refunding of a prior bond issue. Total principal and interest remaining on the bonds are \$8,115,000 and \$2,794,213, respectively, payable through July 1, 2032. For 2017, there was no principal paid. Interest paid was \$143,353.

The Landfill Debt Service Fund received \$2,881,807 in sales taxes in 2017. Any sales taxes collected in excess of debt services on these bonds is permitted to be used for other city expenditures.

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 11: 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. There were six lawsuit settlements made by the City in 2017 that totaled \$52,500. Settlements were made by the City in 2016 and 2015 that totaled \$107,559 and \$193,883, respectively. 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.

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 \$300,000 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.

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

**NOTE 12: 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, 620 W. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website www.lopfi-prb.com.

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

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. The plan is also funded with state insurance tax. The City's contribution to the plan was \$312,967 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$221,644 for the year ended December 31, 2017.

Net Pension Liability

The City's proportionate share of the collective net pension liability at December 31, 2016 (actuarial valuation date and measurement date) was \$3,097,835.

NOTE 13: Arkansas Public Employees Retirement System

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS, administered by a Board of Trustees, 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 APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website www.apers.org.

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$335,393 for the year ended June 30, 2017.

Net Pension Liability

The City's proportionate share of the collective net pension liability at June 30, 2017 (actuarial valuation date and measurement date) was \$3,316,446 .

CITY OF HELENA-WEST HELENA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 14: Debt Payments Made on Behalf of United States Department of Agriculture (USDA) Bonds

The City issued a \$750,000 bond in 2003 from United States Department of Agriculture Rural Development for street improvements. The bonds do not constitute an indebtedness of the City per the bond agreements; however the City has pledged franchise fees to repay the bonds, and therefore payments are presented as principal and interest paid on behalf of USDA bonds. For 2017, principal and interest paid were \$62,838 and \$1,517, respectively. There is no principal remaining on the bonds as of November 15, 2017.

CITY OF HELENA-WEST HELENA, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2017

Schedule 1

	SPECIAL REVENUE FUNDS					
	Certified Local Government Grant	Fire Equipment and Training (Act 833)	District Court Cost	Advertising and Promotion Commission	Airport	Drug Control
ASSETS						
Cash and cash equivalents	\$ 660	\$ 85,761	\$ 20,664	\$ 342,630	\$ 224,497	\$ 23,147
Accounts receivable				22,339	13,142	
TOTAL ASSETS	\$ 660	\$ 85,761	\$ 20,664	\$ 364,969	\$ 237,639	\$ 23,147
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable		\$ 3,252		\$ 16,503		
Settlements pending						\$ 7,299
Total Liabilities		<u>3,252</u>		<u>16,503</u>		<u>7,299</u>
Fund Balances:						
Restricted	\$ 660	82,509	\$ 20,664	347,075	\$ 237,639	15,848
Assigned				1,391		
Total Fund Balances	<u>660</u>	<u>82,509</u>	<u>20,664</u>	<u>348,466</u>	<u>237,639</u>	<u>15,848</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 660	\$ 85,761	\$ 20,664	\$ 364,969	\$ 237,639	\$ 23,147

CITY OF HELENA-WEST HELENA, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2017

Schedule 1

	<u>DEBT SERVICE FUNDS</u>		<u>ENTERPRISE FUND</u>	<u>AGENCY FUND</u>	
	<u>Landfill Debt Service</u>	<u>Street Debt Service</u>	<u>Landfill</u>	<u>District Court</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 957,190	\$ 166,581	\$ 434,778	\$ 130,822	\$ 2,386,730
Accounts receivable	242,704		62,225		340,410
TOTAL ASSETS	<u>\$ 1,199,894</u>	<u>\$ 166,581</u>	<u>\$ 497,003</u>	<u>\$ 130,822</u>	<u>\$ 2,727,140</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable			\$ 69,043		\$ 88,798
Settlements pending				\$ 130,822	138,121
Total Liabilities			<u>69,043</u>	<u>130,822</u>	<u>226,919</u>
Fund Balances:					
Restricted	\$ 1,199,894	\$ 166,581			2,070,870
Assigned			427,960		429,351
Total Fund Balances	<u>1,199,894</u>	<u>166,581</u>	<u>427,960</u>		<u>2,500,221</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,199,894</u>	<u>\$ 166,581</u>	<u>\$ 497,003</u>	<u>\$ 130,822</u>	<u>\$ 2,727,140</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, 2017

Schedule 2

SPECIAL REVENUE FUNDS							
	Certified Local Government Grant	Fire Equipment and Training (Act 833)	District Court Cost	District Court Probation	Advertising and Promotion Commission	Airport	Drug Control
REVENUES							
State aid		\$ 104,463					
Federal aid	\$ 3,804				\$ 509,027		
Sales taxes							
Fines, forfeitures, and costs			\$ 38,762	\$ 835			
Interest		93			678	\$ 19	
Advertising and promotion taxes					246,993		
Landfill fees							
Donations		6,500			24,850		
Rent						41,459	
Other		8,616	213		7,510		
TOTAL REVENUES	3,804	119,672	38,975	835	789,058	41,478	
EXPENDITURES							
Current:							
Law enforcement			49,503				\$ 6,800
Public safety		67,066					
Recreation and culture	3,322				747,171		
Advertising and promotion					222,141		
Airport						64,175	
Landfill							
Total Current	3,322	67,066	49,503		969,312	64,175	6,800
Debt Service:							
Bond principal							
Bond interest and other charges							
Lease principal							
Lease interest							
Note principal							
Note interest							
TOTAL EXPENDITURES	3,322	67,066	49,503		969,312	64,175	6,800
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	482	52,606	(10,528)	835	(180,254)	(22,697)	(6,800)
OTHER FINANCING SOURCES (USES)							
Transfers in		5,533					
Transfers out				(127,288)			
TOTAL OTHER FINANCING SOURCES (USES)		5,533		(127,288)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	482	58,139	(10,528)	(126,453)	(180,254)	(22,697)	(6,800)
FUND BALANCES - JANUARY 1	178	24,370	31,192	126,453	528,720	260,336	22,648
FUND BALANCES - DECEMBER 31	\$ 660	\$ 82,509	\$ 20,664	\$ 0	\$ 348,466	\$ 237,639	\$ 15,848

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, 2017

Schedule 2

	<u>DEBT SERVICE FUNDS</u>		<u>ENTERPRISE FUND</u>	
	<u>Landfill Debt Service</u>	<u>Street Debt Service</u>	<u>Landfill</u>	<u>Totals</u>
REVENUES				
State aid		\$ 262,953		\$ 367,416
Federal aid				512,831
Sales taxes	\$ 2,881,807			2,881,807
Fines, forfeitures, and costs				39,597
Interest	4,846	628	\$ 443	6,707
Advertising and promotion taxes				246,993
Landfill fees			831,984	831,984
Donations				31,350
Rent				41,459
Other				16,339
TOTAL REVENUES	2,886,653	263,581	832,427	4,976,483
EXPENDITURES				
Current:				
Law enforcement				56,303
Public safety				67,066
Recreation and culture				750,493
Advertising and promotion				222,141
Airport				64,175
Landfill	60		1,000,521	1,000,581
Total Current	60		1,000,521	2,160,759
Debt Service:				
Bond principal		140,000		140,000
Bond interest and other charges	143,353	27,358		170,711
Lease principal			168,263	168,263
Lease interest			23,583	23,583
Note principal			27,450	27,450
Note interest			89	89
TOTAL EXPENDITURES	143,413	167,358	1,219,906	2,690,855
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,743,240	96,223	(387,479)	2,285,628
OTHER FINANCING SOURCES (USES)				
Transfers in				5,533
Transfers out	(2,606,911)	(95,421)		(2,829,620)
TOTAL OTHER FINANCING SOURCES (USES)	(2,606,911)	(95,421)		(2,824,087)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	136,329	802	(387,479)	(538,459)
FUND BALANCES - JANUARY 1	1,063,565	165,779	815,439	3,038,680
FUND BALANCES - DECEMBER 31	\$ 1,199,894	\$ 166,581	\$ 427,960	\$ 2,500,221

CITY OF HELENA-WEST HELENA, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2017

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	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, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utilities costs.
District Court Cost	Ark. Code Ann. § 16-17-126 authorizes district court fees for writs of garnishment and executions to be appropriated for any permissible use in the administration of the district court. Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of \$5 per month on each person to be used for court-related technology.
District Court Probation	Ark. Code Ann. § 5-4-322 authorizes district court fees for probation and public service work supervision.
Advertising and Promotion Commission	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.
Drug Control	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
Landfill Debt Service	Established by Helena-West Helena Ordinance no. 33-2016 (November 15, 2016) providing refinancing of the 2007 Series Sales & Use Tax Bonds and providing a reserve for payment of principal and interest on landfill bonds.
Street Debt Service	Established by Helena-West Helena Ordinance no. 8-2014 (March 18, 2014) providing a reserve for payment of principal and interest on street paving bonds.
Landfill	Established to receive and disburse monies for the operation and maintenance of the City landfill.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.

CITY OF HELENA-WEST HELENA, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2017
(Unaudited)

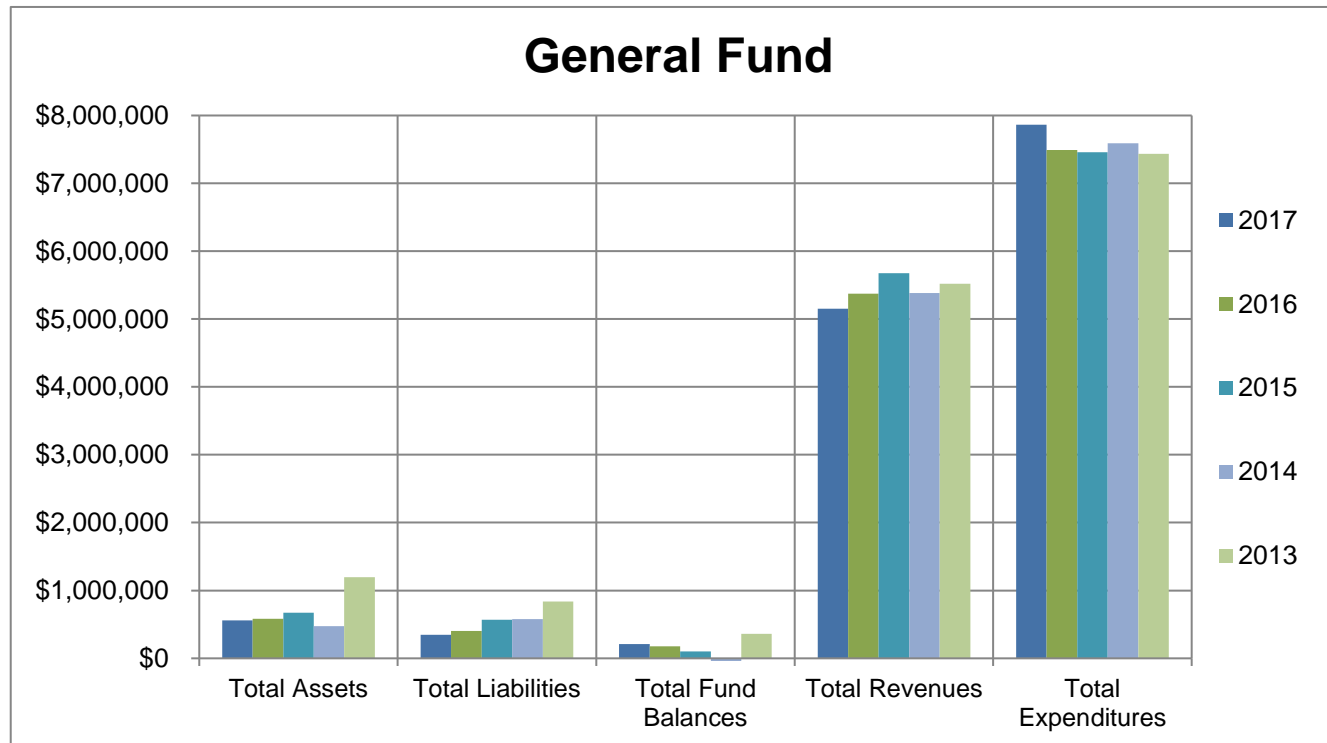
Schedule 3

	<u>December 31, 2017</u>
Land	\$ 69,956
Buildings	13,725,975
Equipment	<u>5,390,433</u>
Total	<u><u>\$ 19,186,364</u></u>

CITY OF HELENA-WEST HELENA, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
 DECEMBER 31, 2017
 (Unaudited)

Schedule 4-1

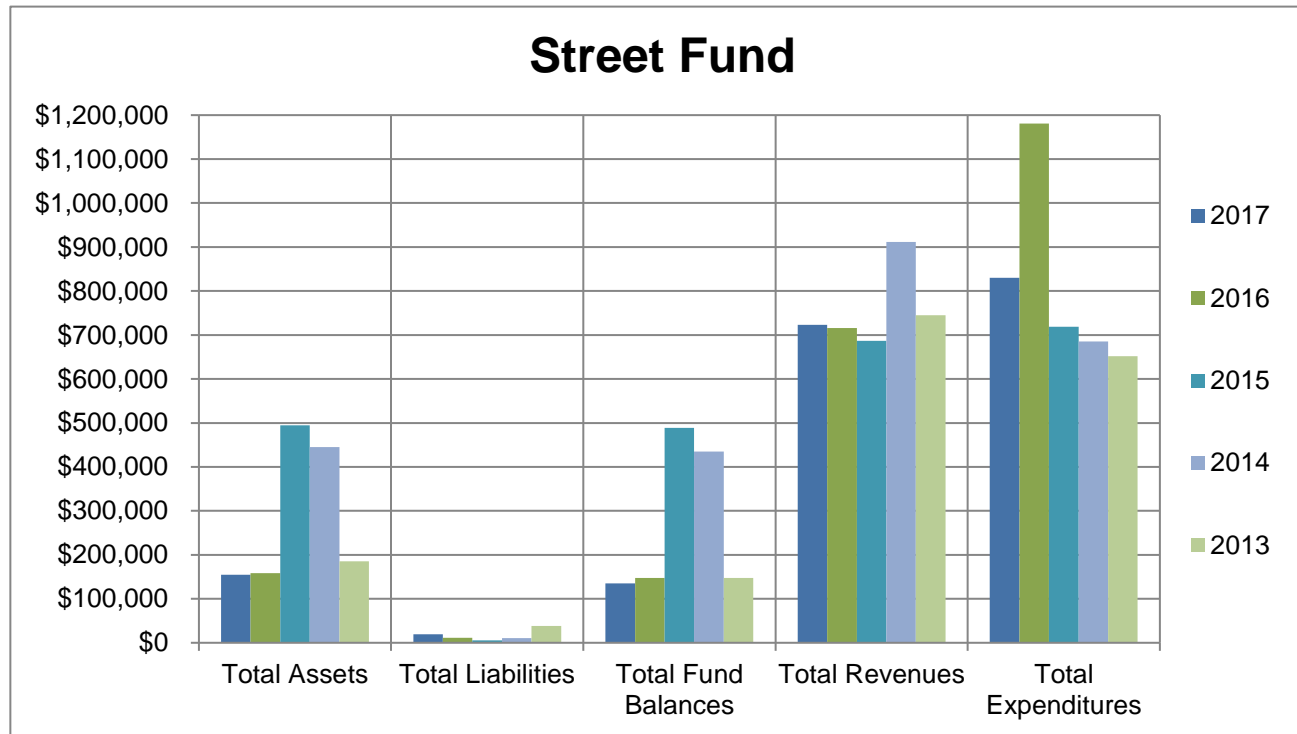
<u>General</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Assets	\$ 557,702	\$ 582,727	\$ 672,696	\$ 475,227	\$ 1,197,393
Total Liabilities	347,421	403,460	570,718	579,286	837,479
Total Fund Balances	210,281	179,267	101,978	(104,059)	359,914
Total Revenues	5,150,346	5,375,591	5,677,736	5,382,495	5,520,331
Total Expenditures	7,863,942	7,491,111	7,459,161	7,591,145	7,436,658
Total Other Financing Sources/Uses	2,738,503	1,987,385	1,930,263	1,737,306	2,574,284



CITY OF HELENA-WEST HELENA, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
 DECEMBER 31, 2017
 (Unaudited)

Schedule 4-2

<u>Street</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Assets	\$ 154,338	\$ 158,452	\$ 494,326	\$ 445,145	\$ 185,466
Total Liabilities	19,259	11,297	5,829	10,270	38,130
Total Fund Balances	135,079	147,155	488,497	434,875	147,336
Total Revenues	722,872	715,935	686,634	911,357	744,950
Total Expenditures	830,369	1,180,603	718,436	685,481	651,769
Total Other Financing Sources/Uses	95,421	123,326	84,512	49,537	154



CITY OF HELENA-WEST HELENA, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
 DECEMBER 31, 2017
 (Unaudited)

Schedule 4-3

<u>Other Funds in the Aggregate</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Assets	\$ 2,727,140	\$ 3,182,866	\$ 3,842,553	\$ 4,854,458	\$ 3,689,939
Total Liabilities	226,919	144,965	440,881	502,948	689,987
Total Fund Balances	2,500,221	3,037,901	3,401,672	4,351,510	2,999,952
Total Revenues	4,976,483	4,474,603	4,790,817	5,144,251	5,106,508
Total Expenditures	2,690,855	2,368,707	3,645,063	3,426,012	2,492,090
Total Other Financing Sources/Uses	(2,824,087)	(2,470,800)	(2,125,654)	(358,839)	(2,510,195)

