

City of West Memphis, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2009

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF WEST MEMPHIS, ARKANSAS
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Rep. Tim Summers
House Chair
Sen. David Wyatt
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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 West Memphis, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

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 West Memphis, Arkansas, as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1(B and C), the City has prepared these financial statements using accounting practices prescribed or permitted by Arkansas Code, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of West Memphis, Arkansas, as of December 31, 2009, or the changes in its financial position or where applicable, its cash flows, thereof for the year then ended. Further, the City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The West Memphis Utility and Airport Funds have not been included in the City's regulatory basis financial statements. The regulatory basis as prescribed or permitted by Arkansas Code requires the West Memphis Utility and Airport Funds 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 regulatory basis financial statements also do not disclose all the required information concerning deposit and investment risks, which should be included in order to conform with the regulatory basis of accounting described in Note 1(C).

In our opinion, because of the effects on the financial statements of the omissions described in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective regulatory basis financial position of the other funds in the aggregate of the City of West Memphis, Arkansas, as of December 31, 2009, and the respective changes in the regulatory basis financial position for the year then ended on the basis of accounting as described in Note 1(C).

In our opinion, except for the effects of not disclosing all required information concerning deposit risks, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of the general fund and street fund of the City of West Memphis, Arkansas, as of December 31, 2009, and the respective changes in the regulatory basis financial position, and the budgetary results for the general fund and street fund for the year then ended on the basis of accounting as described in Note 1(C).

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2010 on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements of the City of West Memphis, Arkansas. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of West Memphis, Arkansas. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, because of the effects on the financial information in the supporting schedules of the omissions described above, such information is not presented fairly in all material respects in relation to the financial statements taken as a whole. The supplementary information in the Schedule of Capital Assets required by the regulatory basis of presentation and the Schedule of Selected Information for the Last Five Years as listed in the table of contents as Schedules 3 and 4 are presented for the purpose of additional analysis. We have not applied auditing procedures to this information and, accordingly, we express no opinion on these schedules.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Roger A. Norman".

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

Little Rock, Arkansas
October 21, 2010
LOM109409

Sen. Bill Pritchard
Senate Chair
Rep. Tim Summers
House Chair
Sen. David Wyatt
Senate Vice Chair
Rep. Toni Bradford
House Vice Chair

Arkansas



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

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

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 West Memphis, Arkansas, as of and for the year ended December 31, 2009 and have issued our report thereon dated October 21, 2010. We issued an adverse opinion because the City prepared the financial statements using accounting practices prescribed or permitted by Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices 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 basis of accounting described in Note 1(C), our opinion on the other funds in the aggregate was adverse because of the effects on the financial statements of not including the West Memphis Utility and Airport Funds, which are material to other funds in the aggregate, and our opinions on the general fund and street fund were qualified because required disclosures were not made concerning deposit risks. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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 deficiency to be a material weakness.

2009-1 To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording cash 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 cash transactions to the extent possible with the current staffing levels.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the state constitution, laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the findings identified in our audit is described above. We did not audit the City's response 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 2009:

Mayor: William Johnson
Treasurer: Frank Martin
City Clerk: Philip Para
District Court Clerk: Terry Griffin
Police Chief: Robert Paudert

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 Offices of **Mayor, Treasurer, City Clerk, District Court Clerk, and Police Chief** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with accepted accounting practices was noted in the Office of **Treasurer**.

Treasurer

The following information systems weaknesses again were noted:

1. The off-site backup file storage facility was not adequately secure and was not a sufficient distance from the primary facility to reduce the likelihood of a single disaster affecting both the primary facility and the off-site backup file storage facility.
2. The City did not maintain a formal security policy which outlined access needs for each user, or user group, of the system and appropriately assigned access to those users or user groups; user credentials were shared among employees; and user credentials were passed from former employees to new hires based on job role. These conditions prevent accurate logging of user actions within the system and increase the likelihood of unauthorized system access.
3. Personnel with the ability to update program logic also had the ability to update production data. This access to both program logic and application data files violates industry standards and affords the opportunity to process and conceal unauthorized transactions.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local City government, state executive and oversight management, the federal awarding agencies, and pass-through entities, if applicable, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. 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



June M. Barron, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
October 21, 2010

CITY OF WEST MEMPHIS, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2009

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 2,782,788	\$ 3,371,385	\$ 6,322,913
Investments			8,834,826
Accounts receivable	1,561,931	107,774	320,506
Interfund receivables	31,270	1,948,912	224,977
TOTAL ASSETS	\$ 4,375,989	\$ 5,428,071	\$ 15,703,222
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 245,010	\$ 170,497	\$ 1,134,373
Interfund payables	1,885,439	4,139	315,581
Settlements pending			505,301
Total Liabilities	2,130,449	174,636	1,955,255
Fund Balances:			
Reserved (Note 9)	417,569	5,253,435	13,747,967
Unreserved:			
Undesignated	1,827,971		
Total Fund Balances	2,245,540	5,253,435	13,747,967
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,375,989	\$ 5,428,071	\$ 15,703,222

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

CITY OF WEST MEMPHIS, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
REVENUES			
State aid	\$ 806,801	\$ 1,315,632	\$ 158,800
Federal aid	310,206		1,274,533
Property taxes		142,179	1,073,207
Franchise fees	2,124,809		
Sales taxes	6,733,374	1,268,423	169,123
Fines, forfeitures, and costs	674,169		119,270
Interest	6,543	44,176	257,802
Local permits and fees	823,976		
Sanitation fees			2,357,323
911 fees			247,102
Advertising and promotion tax			1,178,581
Southland breakage	201,869		
Southland gaming tax	328,166		
Insurance premiums collected	1,461,202		
Other	736,594		155,865
	<u>14,207,709</u>	<u>2,770,410</u>	<u>6,991,606</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
General government	3,314,704		90,304
Law enforcement	6,899,534		940,815
Highways and streets		2,556,716	370,288
Public safety	4,010,111		847,786
Sanitation			2,011,191
Health	160,373		
Recreation and culture	610,079		454,300
Social services	683,584		49,806
Community Development	226,948		1,116,131
Total Current	<u>15,905,333</u>	<u>2,556,716</u>	<u>5,880,621</u>

CITY OF WEST MEMPHIS, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXPENDITURES (CONTINUED)			
Debt Service:			
Bond principal			\$ 70,000
Bond interest and other charges			70,230
Note principal	\$ 106,761		
Note interest	13,529		
	<u>16,025,623</u>	<u>\$ 2,556,716</u>	<u>6,020,851</u>
 TOTAL EXPENDITURES			
	<u>16,025,623</u>	<u>\$ 2,556,716</u>	<u>6,020,851</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(1,817,914)</u>	 <u>213,694</u>	 <u>970,755</u>
 OTHER FINANCING SOURCES (USES)			
Transfers in	895,644		348,487
Transfers out		(61,419)	(1,182,712)
Gain (loss) on sale of investments			(404,843)
Contribution to Airport	(105,702)		
Contribution to Midsouth Community College	(46,409)		
Contribution from Riverport	200,000		
Contribution from Utility	1,050,034		
	<u>1,993,567</u>	<u>(61,419)</u>	<u>(1,239,068)</u>
 TOTAL OTHER FINANCING SOURCES (USES)			
	<u>1,993,567</u>	<u>(61,419)</u>	<u>(1,239,068)</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 175,653	 152,275	 (268,313)
 FUND BALANCES - JANUARY 1	 <u>2,069,887</u>	 <u>5,101,160</u>	 <u>14,016,280</u>
 FUND BALANCES - DECEMBER 31	 <u>\$ 2,245,540</u>	 <u>\$ 5,253,435</u>	 <u>\$ 13,747,967</u>

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

CITY OF WEST MEMPHIS, 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, 2009

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 1,010,000	\$ 806,801	\$ (203,199)	\$ 1,300,000	\$ 1,315,632	\$ 15,632
Federal aid		310,206	310,206			
Property taxes				133,391	142,179	8,788
Franchise fees	2,265,000	2,124,809	(140,191)			
Sales taxes	7,069,666	6,733,374	(336,292)	1,340,000	1,268,423	(71,577)
Fines, forfeitures, and costs	665,000	674,169	9,169			
Interest	8,000	6,543	(1,457)	17,000	44,176	27,176
Local permits and fees	670,324	823,976	153,652			
Southland breakage	330,000	201,869	(128,131)			
Southland gaming tax	325,000	328,166	3,166			
Insurance premiums collected		1,461,202	1,461,202			
Other	1,178,023	736,594	(441,429)			
TOTAL REVENUES	13,521,013	14,207,709	686,696	2,790,391	2,770,410	(19,981)
EXPENDITURES						
Current:						
General government	2,065,156	3,314,704	(1,249,548)			
Law enforcement	7,148,947	6,899,534	249,413			
Highways and streets				2,710,115	2,556,716	153,399
Public safety	4,159,090	4,010,111	148,979			
Health	160,000	160,373	(373)			
Recreation and culture	567,622	610,079	(42,457)			
Social services	615,385	683,584	(68,199)			
Community Development	233,000	226,948	6,052			
Total Current	14,949,200	15,905,333	(956,133)	2,710,115	2,556,716	153,399
Debt Service:						
Note Principal		106,761	(106,761)			
Note Interest		13,529	(13,529)			
TOTAL EXPENDITURES	14,949,200	16,025,623	(1,076,423)	2,710,115	2,556,716	153,399

CITY OF WEST MEMPHIS, 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, 2009

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (1,428,187)	\$ (1,817,914)	\$ (389,727)	\$ 80,276	\$ 213,694	\$ 133,418
OTHER FINANCING SOURCES (USES)						
Transfers in	605,000	895,644	290,644			
Transfers out					(61,419)	(61,419)
Contribution to Airport		(105,702)	(105,702)			
Contribution to Midsouth Community College		(46,409)	(46,409)			
Contribution from Riverport		200,000	200,000			
Contribution from Utility	850,034	1,050,034	200,000			
TOTAL OTHER FINANCING SOURCES (USES)	1,455,034	1,993,567	538,533		(61,419)	(61,419)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	26,847	175,653	148,806	80,276	152,275	71,999
FUND BALANCES - JANUARY 1	2,069,887	2,069,887		5,101,160	5,101,160	
FUND BALANCES - DECEMBER 31	\$ 2,096,734	\$ 2,245,540	\$ 148,806	\$ 5,181,436	\$ 5,253,435	\$ 71,999

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

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of West Memphis 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: West Memphis Utility and Airport.

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 the primary operating fund and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund heading as it appears in the financial statements includes the following accounts: General, Accounts Payable, Delta Regional Authority Grant, Judicial Fine Enhancement, Federal Programs/Grants (Emergency Medical Services), Neighborhood Center, and Employee Self-Insured Benefits (Insurance).

Street Fund - The Street Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures 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 the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following Special Revenue Funds are reported with other funds in the aggregate: Sanitation, Library, Advertising and Promotion, Narcotics, Park Commission, Auditorium, Community Development, Emergency 911, Metropolitan Planning Organization, Special, Federal Grant Programs, and District Judges' and Clerks' Retirement Cost.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The General Park Fund is reported with other funds in the aggregate.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Park Bond Fund is reported with other funds in the aggregate.

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: Firemen's Pension, Policemen's Pension, District Court, Police Confiscation, Payroll, and Administration of Justice.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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 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

1. Reserved Fund Balance indicates that portion of fund balance that is not appropriate for expenditure or is legally segregated for a specific future use.
2. Undesignated Fund Balance indicates that portion of fund balance not reserved or designated.

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 10. 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.

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.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budget Law (Continued)

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 Special Revenue Funds.

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/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations the principal and interest on which are fully guaranteed by the United States of America.

B. Pension Trust Funds

(1) Policemen's Pension

State law provides that if the total assets of the policemen's pension trust fund are less than \$100,000, the funds may be deposited or invested as noted below. If the total assets of the fund exceed \$100,000, the fund may employ a professional investment advisor to invest the assets subject to the prudent investor rule and/or in no-load mutual funds.

(2) Firemen's Pension

State law provides that if the total assets of the firemen's pension trust fund are less than \$100,000, the funds may be deposited or invested as noted below. If the total assets of the fund exceed \$100,000, the fund may employ a professional investment advisor to invest the assets subject to the prudent investor rule and/or in no-load mutual funds.

(3) Policemen's and Firemen's Pension Investments

The funds may be deposited or invested as noted in Note 3(A) and may include deposits in federally insured savings and loans located in the State of Arkansas and notes secured by mortgages on real estate guaranteed either by the United States government or by a corporation approved by the State Commissioner of Insurance. Investments of other types are allowed by state law, but it has not been a common practice to utilize them.

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	December 31, 2009	
	Reported Amount	Fair Value
Pension Trust	\$ 8,834,826	\$ 8,956,096

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4: Public Fund Investments (Continued)

These investments are composed of the following:

	December 31, 2009	
	Reported Amount	Fair Value
Equities	\$ 4,514,765	\$ 4,679,596
Mutual Funds	1,514,025	1,344,315
Preferred Securities	3,525	5,825
Convertible Securities	37,580	37,445
Corporate Bonds	1,809,398	1,907,897
US Government Securities	955,532	981,019
Totals	\$ 8,834,826	\$ 8,956,096

NOTE 5: Accounts Receivable

The accounts receivable balance at December 31, 2009 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State Aid	\$ 106,781	\$ 107,774	\$ 69,550
Federal Aid	52,424		40,994
Franchise Fees	176,163		
Local Permits and Fees	12,025		
Fines, Forfeitures, and Costs	35,946		
Southland Breakage	135,103		
Southland Gaming Tax	28,459		
Sales Taxes	636,705		
Sanitation Fees			5,490
Advertising and Promotion Tax			96,612
911 Fees			32,567
Other	257,435		75,293
Contribution from Utility	120,890		
Totals	\$ 1,561,931	\$ 107,774	\$ 320,506

NOTE 6: Accounts Payable

The accounts payable balance at December 31, 2009 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor Payables		\$ 127,609	\$ 131,131
Other	\$ 245,010	42,888	1,003,242
Totals	\$ 245,010	\$ 170,497	\$ 1,134,373

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 7: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2009	
	Interfund Receivables	Interfund Payables
General	\$ 31,270	\$ 1,885,439
Street	1,948,912	4,139
Other Funds in the Aggregate:		
Special Revenue:		
Sanitation	3,894	195,080
Library	3,359	27,190
Advertising and Promotion	761	38,699
Park Commission		545
Community Development	232	
Auditorium	695	785
Metropolitan Planning Organization		1,681
Emergency 911	2,397	
Special	126,891	
Capital Projects:		
General Park	12,137	
Trust and Agency:		
Policemen's Pension	10,845	
Firemen's Pension	10,845	51,369
Payroll	52,921	232
Totals	<u>\$ 2,205,159</u>	<u>\$ 2,205,159</u>

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances are expected to be repaid in 2010 or when funds become available.

NOTE 8: Legal Debt Limit

A. 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, 2009, the legal debt limit for the bonded debt was \$59,373,229. 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, 2009, the legal debt limit for short-term financing obligations was \$15,350,337. The amount of short-term financing obligations was \$224,576, leaving a legal debt margin of \$15,125,761.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 9: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2009
<u>General</u>	
Judicial Fine Enhancement	\$ 8,051
Delta Regional Authority Grant	208,435
Emergency Medical Services	140,744
Law Enforcement	2,071
Neighborhood Center	24,291
Employee Self-Insured Benefits (Insurance)	33,977
Total General	\$ 417,569
<u>Street</u>	\$ 5,253,435
<u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
Sanitation	\$ 642,904
Library	1,220,995
Advertising and Promotion	582,139
Narcotics	39,786
Park Commission	83,223
Auditorium	68,296
Community Development	5,799
Emergency 911	100,115
Metropolitan Planning Organization	28,359
Special	631,086
Federal Grant Programs	5,095
District Judges' and Clerks' Retirement Cost	38,350
Total Special Revenue	3,446,147
Capital Projects Fund - General Park	293,595
Debt Service Fund - Park Bond	48,056
Trust Funds:	
Firemen's Pension	5,341,630
Policemen's Pension	4,618,539
Total Trust	9,960,169
Total Other Funds in the Aggregate	\$ 13,747,967

NOTE 10: Commitments

Total commitments consist of the following at December 31, 2009:

	December 31, 2009
Long-Term Liabilities	\$ 4,130,816

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 10: Commitments (Continued)

Long-Term Liabilities

Long-Term Liabilities at December 31, 2009 are comprised of the following:

	December 31, 2009
City of West Memphis, Arkansas, Capital Improvement Revenue Bond Series 2006 dated June 1, 2006, due in yearly installments of various amounts through June 2025, interest from 3.75% - 4.60%. Payments are to be made from the Park Bond Fund.	\$ 1,545,000
Note payable to Fidelity National Bank dated June 1, 2006, 4.25% interest to purchase a 2005 Pierce fire truck, annual installments of \$48,113, beginning June 1, 2007. Payments are to be made from the General Fund.	88,929
Note payable to Fidelity National Bank dated December 18, 2008, 4.25% interest to purchase police cars, three annual installments of \$72,177, beginning December 15, 2009. Payments are to be made from the General Fund.	135,647
The unfunded actuarially determined liability for the District Judges' and Clerks' Retirement. Payments are to be made to the Arkansas Public Employees Retirement System from the District Judges' and Clerks' Retirement Cost Fund for up to a thirty-year period.	200,791
Compensated Absences	2,160,449
Total Long-Term Liabilities	\$ 4,130,816

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

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2009:

Years Ending December 31,	Bonds	Notes	Total
2010	\$ 135,670	\$ 120,290	\$ 255,960
2011	137,878	120,290	258,168
2012	134,952		134,952
2013	136,850		136,850
2014	133,570		133,570
2015 through 2019	671,820		671,820
2020 through 2025	805,718		805,718
Total Obligations	2,156,458	240,580	2,397,038
Less Interest	611,458	16,004	627,462
Total Principal	\$ 1,545,000	\$ 224,576	\$ 1,769,576

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 11: Interfund Transfers

Other Funds in the Aggregate (Sanitation Fund) transferred \$100,000 to the General Fund to offset expenses paid by the General Fund. The Street Fund transferred \$61,419 to the Other Funds in the Aggregate Metropolitan Planning Organization Fund for city portion of matching funds for street improvements. Other Funds in the Aggregate (Advertising and Promotion Fund) transferred \$395,644 to the General Fund to defray costs for Memphis Area Transit Authority bus system. Other Funds in the Aggregate (Emergency 911 Fund) transferred \$100,000 to the General Fund to reimburse for Emergency 911 dispatchers' salaries. Other Funds in the Aggregate (Narcotics Fund) transferred \$300,000 to the General Fund for drug enforcement costs. Within Other Funds in the Aggregate, the Capital Projects Fund transferred \$139,246 to the Debt Service Fund to cover bond payments and the Advertising and Promotion Fund transferred \$147,822 to the Capital Projects Fund for capital expenditures.

NOTE 12: 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 \$25,000 for bodily injury or death per person, \$50,000 for bodily injury or death per accident, and \$25,000 for property damage per accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and mobile equipment owned or leased by the City.
- B. Physical Damage - This program covers 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.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 12: Risk Management (Continued)

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 \$1,000 deductible per occurrence.

NOTE 13: Firemen's Pension and Relief Plan

Plan Description

The Firemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal firemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability, and survivor benefits. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. The plan was closed to new entrants on January 1, 1983. The plan does not issue a stand-alone financial report but is included in the City's financial report.

Contributions

Active participants of the plan are required to make contributions of not less than 6% of their salary to the plan. Active volunteer firemen are required to make contributions of \$12 per year. The City is required by state law to contribute an amount equal to but not less than 6% of the participant's salary and an amount equal to the contribution paid by any volunteer fireman. The plan is also funded with state insurance tax and property tax on real estate and personal property. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, then the funds shall be prorated among those entitled by the proper authorities as may be deemed just and equitable.

NOTE 14: Policemen's Pension and Relief Plan

Plan Description

The Policemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal policemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability, and survivor benefits. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. The plan was closed to new entrants on January 1, 1983. The plan does not issue a stand-alone financial report but is included in the City's financial report.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 14: Policemen's Pension and Relief Plan (Continued)

Contributions

Active participants of the plan are required to make contributions of 6% of their salary to the plan, provided that such monthly deduction shall be 4% for policemen contributing to the social security system unless increased, but not to exceed 6%, by the majority of the contributing members of the police department covered by social security. The City is required by state law to contribute an amount equal to but not less than 6% of the participant's salary; provided, however, that the City's contributions shall not exceed the amount contributed by the policemen except where authorized by appropriation of the City's governing body. The plan is also funded with state insurance tax; property tax on real estate and personal property; all forfeitures and fines imposed upon any member of the police department by way of discipline; all money given or donated to such fund; all money deducted from the salary of any member of the police department on account of absence or loss of time; all rewards paid for any purpose and 10% of all fines and forfeitures collected by the police department of such city. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, the beneficiaries shall be paid prorating the funds available among them.

**NOTE 15: 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: 6% of gross pay; effective July 1, 2009, 8.5% of gross pay
- B. Paid service also covered by Social Security: no employee contribution; effective July 1, 2009, 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.

NOTE 16: Arkansas Public Employees Retirement System

Plan Description

The City contributes (as required by State law) for the District Court Judge and District Court Clerk 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.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 16: Arkansas Public Employees Retirement System (Continued)

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.

NOTE 17: Southland Greyhound Park Breakage

Southland Greyhound Park Breakage consists of the City's share of the odd cents or breaks after distribution of each pari-mutuel pool. In accordance with Ark. Code Ann. § 23-111-509, breakage is computed as the amount of odd cents remaining in each pari-mutuel pool after redistributions are made in a sum equal to the next lowest multiple of ten cents (\$.10). The City receives two-thirds (2/3) of the total breakage.

NOTE 18: Gaming Tax

The Arkansas Legislature established a privilege fee to be paid by franchise holders conducting wagering on electronic games of skill equal to one and one-half percent (1.5%) of net wagering revenues to the city or town in which the electronic games of skill are operating.

NOTE 19: Related Party Transactions

- A. The Utility Department is one of a number of departments and/or funds of the City established for a specific purpose. The City provides general services such as personnel, data processing, financial administration, and legal services to the Department. The cost associated with providing these services is charged to the Department by the City. The amount paid by the Department in 2009 was \$1,050,034. The City also charges the Department five percent of utility sales in lieu of franchise taxes. The amount paid by the Department in 2009 was \$1,375,727.
- B. As a convenience to customers, the Utility Department includes the fees of city-provided garbage collection and mosquito control in its monthly customer billings. Garbage collection fees are remitted to the Sanitation Fund and mosquito control fees are remitted to the General Fund monthly.

NOTE 20: Nonuniformed Employees Pension Plan (A Defined Contribution Plan)

On January 1, 1977, the City established a defined contribution pension plan for all nonuniformed employees and has contracted with a private insurance carrier who maintains an account for the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The contribution plan requires the City to contribute to the insurance carrier an amount equal to five percent of the employees' base salary. The City's contributions (and interest allocated to the employees' account) are vested at a rate of ten percent per year until fully vested after ten years of service. Eligibility commences one year from date of employment. City contributions for, and interest forfeited by, employees who leave employment before being fully vested are used to reduce the City's future period contribution requirements. Interest earned is credited to each employee's account quarterly. Employees are entitled only to the funds deposited by them and in their behalf.

NOTE 21: Employee Self-Insured Benefits

The City participates in an Employee Self-Insured Benefit plan that is administered by CIGNA Healthcare Insurance Company. The City is required to maintain a benefit plan account which will be sufficient at all times to fund plan benefits and plan related expenses. As of December 31, 2009, the balance in this account was \$33,977 and is reflected in the financial statements as part of the General Fund's Reserved Fund Balance. Claims paid during 2009 from the account totaled \$1,524,292.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 22: Pledged Revenues – Franchise Taxes

The City has pledged future franchise taxes to repay \$1,745,000 in improvement bonds that were issued in 2006 to provide funding for improvements to the City's parks. Total principal and interest remaining on the bonds are \$1,545,000 and \$611,458, respectively, payable through June 1, 2025. For the current year, principal and interest paid were \$70,000 and \$70,230, respectively.

The General Fund received \$2,124,809 in franchise taxes in 2009. Any franchise taxes collected in excess of the debt service payments are permitted to be used for other city expenditures. The City opted to use Advertising and Promotion taxes to cover the debt service payments.

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2009

Schedule 1

SPECIAL REVENUE FUNDS

	Sanitation	Library	Advertising and Promotion	Narcotics	Park Commission	Auditorium	Community Development	Emergency 911	Metropolitan Planning Organization
ASSETS									
Cash and cash equivalents	\$ 869,814	\$ 1,169,533	\$ 527,079	\$ 39,786	\$ 83,768	\$ 71,636	\$ 5,567	\$ 65,151	\$ 9,414
Investments									
Accounts receivable	5,490	75,293	96,612					32,567	69,550
Interfund receivables	3,894	3,359	761			695	232	2,397	
TOTAL ASSETS	\$ 879,198	\$ 1,248,185	\$ 624,452	\$ 39,786	\$ 83,768	\$ 72,331	\$ 5,799	\$ 100,115	\$ 78,964
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 41,214		\$ 3,614			\$ 3,250			\$ 48,924
Interfund payables	195,080	\$ 27,190	38,699		\$ 545	785			1,681
Settlements pending									
Total Liabilities	236,294	27,190	42,313		545	4,035			50,605
Fund Balances:									
Reserved (Note 9)	642,904	1,220,995	582,139	\$ 39,786	83,223	68,296	\$ 5,799	\$ 100,115	28,359
TOTAL LIABILITIES AND FUND BALANCES	\$ 879,198	\$ 1,248,185	\$ 624,452	\$ 39,786	\$ 83,768	\$ 72,331	\$ 5,799	\$ 100,115	\$ 78,964

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2009

Schedule 1

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TRUST FUNDS	
	Special	Federal Grant Programs	District Judges' and Clerks' Retirement Cost	General Park	Park Bond	Firemen's Pension	Policemen's Pension
ASSETS							
Cash and cash equivalents	\$ 504,195	\$ 5,095	\$ 38,350	\$ 281,458	\$ 48,056	\$ 254,317	\$ 900,705
Investments						5,127,837	3,706,989
Accounts receivable	40,994						
Interfund receivables	126,891			12,137		10,845	10,845
TOTAL ASSETS	\$ 672,080	\$ 5,095	\$ 38,350	\$ 293,595	\$ 48,056	\$ 5,392,999	\$ 4,618,539
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 40,994						
Interfund payables						\$ 51,369	
Settlements pending							
Total Liabilities	40,994					51,369	
Fund Balances:							
Reserved (Note 9)	631,086	\$ 5,095	\$ 38,350	\$ 293,595	\$ 48,056	5,341,630	\$ 4,618,539
TOTAL LIABILITIES AND FUND BALANCES	\$ 672,080	\$ 5,095	\$ 38,350	\$ 293,595	\$ 48,056	\$ 5,392,999	\$ 4,618,539

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2009

Schedule 1

	AGENCY FUNDS				
	District Court	Payroll	Police Confiscation	Administration of Justice	Totals
ASSETS					
Cash and cash equivalents	\$ 141,044	\$ 943,688	\$ 357,697	\$ 6,560	\$ 6,322,913
Investments					8,834,826
Accounts receivable					320,506
Interfund receivables		52,921			224,977
TOTAL ASSETS	\$ 141,044	\$ 996,609	\$ 357,697	\$ 6,560	\$ 15,703,222
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		\$ 996,377			\$ 1,134,373
Interfund payables		232			315,581
Settlements pending	\$ 141,044		\$ 357,697	\$ 6,560	505,301
Total Liabilities	141,044	996,609	357,697	6,560	1,955,255
Fund Balances:					
Reserved (Note 9)					13,747,967
TOTAL LIABILITIES AND FUND BALANCES	\$ 141,044	\$ 996,609	\$ 357,697	\$ 6,560	\$ 15,703,222

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Schedule 2

SPECIAL REVENUE FUNDS

	Sanitation	Library	Advertising and Promotion	Narcotics	Park Commission	Auditorium	Community Development	Emergency 911	Metropolitan Planning Organization
REVENUES									
State aid									
Federal aid		\$ 60,330					\$ 430,929		\$ 273,502
Property taxes		502,037							
Sales taxes									
Fines, forfeitures, and costs				\$ 31,950					
Interest	\$ 3,263	10,510	\$ 10,638	836				\$ 348	
Sanitation fees	2,357,323								
911 fees								247,102	
Advertising and promotion tax			1,178,581						
Other		11,097	27,852		\$ 21,628	\$ 35,155			25,673
TOTAL REVENUES	2,360,586	583,974	1,217,071	32,786	21,628	35,155	430,929	247,450	299,175
EXPENDITURES									
Current:									
General government									
Law enforcement				30,653					
Highways and streets									370,288
Public safety								42,339	
Sanitation	2,011,191								
Recreation and culture		401,289			27,953	20,258			
Social services									
Community Development			695,435				420,696		
Total Current	2,011,191	401,289	695,435	30,653	27,953	20,258	420,696	42,339	370,288

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Schedule 2

SPECIAL REVENUE FUNDS									
	Sanitation	Library	Advertising and Promotion	Narcotics	Park Commission	Auditorium	Community Development	Emergency 911	Metropolitan Planning Organization
EXPENDITURES (CONTINUED)									
Debt Service:									
Bond principal									
Bond interest and other charges									
TOTAL EXPENDITURES	\$ 2,011,191	\$ 401,289	\$ 695,435	\$ 30,653	\$ 27,953	\$ 20,258	\$ 420,696	\$ 42,339	\$ 370,288
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	349,395	182,685	521,636	2,133	(6,325)	14,897	10,233	205,111	(71,113)
OTHER FINANCING SOURCES (USES)									
Transfers in									61,419
Transfers out	(100,000)		(543,466)	(300,000)				(100,000)	
Gain (loss) on sale of investments									
TOTAL OTHER FINANCING SOURCES (USES)	(100,000)		(543,466)	(300,000)				(100,000)	61,419
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	249,395	182,685	(21,830)	(297,867)	(6,325)	14,897	10,233	105,111	(9,694)
FUND BALANCES - JANUARY 1	393,509	1,038,310	603,969	337,653	89,548	53,399	(4,434)	(4,996)	38,053
FUND BALANCES - DECEMBER 31	\$ 642,904	\$ 1,220,995	\$ 582,139	\$ 39,786	\$ 83,223	\$ 68,296	\$ 5,799	\$ 100,115	\$ 28,359

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Schedule 2

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TRUST FUNDS		Totals
	Special	Federal Grant Programs	District Judges' and Clerks' Retirement Cost	General Park	Park Bond	Firemen's Pension	Policemen's Pension	
REVENUES								
State aid	\$ 13,022					\$ 48,100	\$ 97,678	\$ 158,800
Federal aid	455,038	\$ 54,734						1,274,533
Property taxes						285,585	285,585	1,073,207
Sales taxes	169,123							169,123
Fines, forfeitures, and costs	10,005		\$ 13,940				63,375	119,270
Interest	1,802		3,802		\$ 86	145,457	81,060	257,802
Sanitation fees								2,357,323
911 fees								247,102
Advertising and promotion tax								1,178,581
Other	13,546					10,604	10,310	155,865
TOTAL REVENUES	662,536	54,734	17,742		86	489,746	538,008	6,991,606
EXPENDITURES								
Current:								
General government	90,304							90,304
Law enforcement	358,485		5,533				546,144	940,815
Highways and streets								370,288
Public safety	113,476					691,971		847,786
Sanitation								2,011,191
Recreation and culture				\$ 4,800				454,300
Social services		49,806						49,806
Community Development								1,116,131
Total Current	562,265	49,806	5,533	4,800		691,971	546,144	5,880,621

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Schedule 2

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TRUST FUNDS		Totals
	Special	Federal Grant Programs	District Judges' and Clerks' Retirement Cost	General Park	Park Bond	Firemen's Pension	Policemen's Pension	
EXPENDITURES (CONTINUED)								
Debt Service:								
Bond principal					\$ 70,000			\$ 70,000
Bond interest and other charges					70,230			70,230
TOTAL EXPENDITURES	\$ 562,265	\$ 49,806	\$ 5,533	\$ 4,800	140,230	\$ 691,971	\$ 546,144	6,020,851
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	100,271	4,928	12,209	(4,800)	(140,144)	(202,225)	(8,136)	970,755
OTHER FINANCING SOURCES (USES)								
Transfers in				147,822	139,246			348,487
Transfers out				(139,246)				(1,182,712)
Gain (loss) on sale of investments						(361,535)	(43,308)	(404,843)
TOTAL OTHER FINANCING SOURCES (USES)				8,576	139,246	(361,535)	(43,308)	(1,239,068)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	100,271	4,928	12,209	3,776	(898)	(563,760)	(51,444)	(268,313)
FUND BALANCES - JANUARY 1	530,815	167	26,141	289,819	48,954	5,905,390	4,669,983	14,016,280
FUND BALANCES - DECEMBER 31	\$ 631,086	\$ 5,095	\$ 38,350	\$ 293,595	\$ 48,056	\$ 5,341,630	\$ 4,618,539	\$ 13,747,967

CITY OF WEST MEMPHIS, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2009

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

<u>Fund Name</u>	<u>Fund Description</u>
Sanitation	West Memphis City Ordinance no. 441 (September 5, 1963) established fund to receive all revenues derived from the operation of the Sanitation Department.
Library	West Memphis City Ordinance no. 314 (February 16, 1956) as amended by West Memphis City Ordinance no. 368 (March 5, 1959) established the public library.
Advertising and Promotion	Ark. Code Ann. § 26-75-605 allows the City to levy tax of no more than 3% of gross proceeds from restaurants, cafes, etc. West Memphis City ordinance no. 917 (November 3, 1977) established this fund to receive 1% tax levy on the gross receipts of hotel and/or motel, restaurants, cafés, and cafeterias.
Narcotics	Ark. Code Ann. § 5-64-505 established fund to receive monies resulting from the disposition of drug forfeiture cases to be used for law enforcement purposes.
Park Commission	West Memphis City Ordinance no. 134 (May 6, 1947) established fund to operate and maintain city recreational parks.
Auditorium	West Memphis City Ordinance no. 815 (September 19, 1974) established fund to operate and maintain the municipal auditorium.
Community Development	City established this fund to process the U.S. Department of Housing and Urban Development grants.
Emergency 911	Ark. Code Ann. § 12-10-318 established fund to receive fees collected by commercial mobile radio service providers for 911 emergency services.
Metropolitan Planning Organization	City established this fund to process federal highway grants received through the Arkansas Highway and Transportation Department.
Special	City established this fund to receive grants for various city departments.
Federal Grant Programs	City established this fund to account for various federal grant awards.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2009

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

<u>Fund Name</u>	<u>Fund Description</u>
District Judges' and Clerks' Retirement Cost	Ark. Code Ann. § 24-8-810 established fund to contribute an amount of money that represents the actuarially determined accrued liability to be paid to the Arkansas Public Employees Retirement System. Excess funds will be retained in the fund for the sole purpose of paying the retirement benefits of district judges.
General Park	West Memphis City Ordinance no. 2146 (May 18, 2006) established fund to accumulate pledged Advertising and Promotion Tax and pay the related expenses to construct and improve city parks.
Park Bond	West Memphis City Ordinance no. 2146 (May 18, 2006) established fund to pay the principal and interest of bonds authorized by Amendment no. 62 to the Arkansas Constitution to construct and improve city parks.
Firemen's Pension	Ark. Code Ann. § 24-11-801 established fund to receive millages, state insurance turnback, and other revenues allowed by law for support of firefighter retirement programs.
Policemen's Pension	Ark. Code Ann. § 24-11-401 established fund to receive millages, state insurance turnback, and other revenues allowed by law for support of police retirement programs.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the District Court.
Payroll	City established this fund to process the payroll of all the City's employees.
Police Confiscation	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to the arresting agency.
Administration of Justice	Ark. Code Ann. § 16-10-308 established fund to receive the City's share of uniform court cost and filing fees to be used to defray a part of the expenses of the Administration of Justice in the City.

CITY OF WEST MEMPHIS, ARKANSAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)

Schedule 3

	<u>December 31, 2009</u>
Land	\$ 2,519,412
Buildings	6,045,530
Equipment	<u>7,554,873</u>
Total	<u>\$ 16,119,815</u>

CITY OF WEST MEMPHIS, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
DECEMBER 31, 2009
(Unaudited)

Schedule 4

<u>General</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total Assets	\$ 4,375,989	\$ 4,028,794	\$ 2,530,686	\$ 3,201,506	\$ 2,694,329
Total Liabilities	2,130,449	1,958,907			
Total Fund Balances	2,245,540	2,069,887	2,530,686	3,201,506	2,694,329
Total Revenues	14,207,709	14,665,231	15,714,136	12,545,745	12,768,578
Total Expenditures	16,025,623	16,400,064	17,226,481	13,127,873	12,563,471
<u>Street</u>					
Total Assets	\$ 5,428,071	\$ 5,108,374	\$ 1,575,008	\$ 1,839,917	\$ 1,747,245
Total Liabilities	174,636	7,214			
Total Fund Balances	5,253,435	5,101,160	1,575,008	1,839,917	1,747,245
Total Revenues	2,770,410	2,925,171	2,659,260	2,685,997	1,989,699
Total Expenditures	2,556,716	2,229,491	2,859,302	2,512,142	2,096,333
<u>Other Funds in the Aggregate</u>					
Total Assets	\$ 15,703,222	\$ 14,997,995	\$ 15,554,246	\$ 17,230,855	\$ 14,245,602
Total Liabilities	1,955,255	981,715	301,110	335,000	296,664
Total Fund Balances	13,747,967	14,016,280	15,253,136	16,895,855	13,948,938
Total Revenues	6,991,606	7,410,427	6,434,382	6,206,781	6,919,186
Total Expenditures	6,020,851	6,622,339	8,311,755	5,425,027	5,255,688

The financial statements are prepared on the regulatory basis of accounting as reported in Note 1(C) of the audit reports.