

**West Memphis Utility Department  
An Enterprise Fund of  
The City of West Memphis, Arkansas**

**FINANCIAL REPORT**

**December 31, 2013**

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**JACKSON, HOWELL & ASSOCIATES, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS CONSULTANTS



**MEMBERS:**

MEMBERS AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
PRIVATE COMPANIES PRACTICE SECTION

**TENNESSEE**

7240 GOODLETT FARMS PARKWAY, SUITE 101  
CORDOVA, TENNESSEE 38016-4925  
(901) 683-5100 (O) / (901) 683-0562 (F)

**ARKANSAS**

301 EAST BROADWAY STREET  
WEST MEMPHIS, ARKANSAS 72301-3173  
(870) 735-2683 (O) / (870) 735-5871 (F)

JIMMY R. ADKINS, CPA  
DAVID L. JACKSON, CPA  
CYNTHIA C. ROBB, CPA  
KAREN D. HILL, CPA, CFE, CCFM  
MARK L. LAUBER, CPA

E-MAIL: JHH@JHHCPA.COM

**INDEPENDENT AUDITORS' REPORT**

To the West Memphis Utility Commission  
West Memphis, Arkansas

**Report on the Financial Statements**

We have audited the accompanying statements of net positions of the West Memphis Utility Department, an enterprise fund of the City of West Memphis, Arkansas, as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net positions and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Department'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 Department'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 opinion.

### **Basis of Qualified Opinion**

As discussed in Note A, the financial statements present only the West Memphis Utility Department, and are not intended to represent fairly the financial position of the City of West Memphis, Arkansas, and the results of its operations and the cash flows, in conformity with accounting principles generally accepted in the United States of America. As discussed in Note A to the financial statements, the Department's investments in property, plant and equipment and the related reserves cannot presently be determined due to the insufficient historical records. The Department's records do not permit the application of adequate alternative procedures to verify the cost of property, plant and equipment.

In our opinion, except for the effect of such adjustments, if any, with respect to the investment in property, plant and equipment, and related allowances, the financial statements referred to above present fairly, in all material respects, the financial position of the West Memphis Utility Department as of December 31, 2013 and 2012, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### *New Accounting Pronouncements*

As discussed in Note L to the financial statements, the Department adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

### **Other Matters**

#### *Other Information*

Our audits of the financial statements of the West Memphis Utility Department, for the years ended December 31, 2013 and 2012, were intended primarily for the purpose of formulating an opinion on the basic financial statements taken as a whole. The additional information presented on pages 18 and 19 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the examination of the basic financial statements and, accordingly, we express no opinion on it.

*Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

West Memphis, Arkansas  
July 3, 2014

Jackson, Howell & Associates, PLLC

**West Memphis Utility Department**  
**An Enterprise Fund of the City of West Memphis, Arkansas**  
**STATEMENTS OF NET POSITIONS**  
**December 31**

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**ASSETS**

	<b><u>2013</u></b>	<b><u>2012</u></b> <b>RESTATED</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,315,367	\$ 4,277,591
Investments	12,641,400	12,515,665
Accounts receivable, net	6,688,606	5,891,144
Inventories	2,220,469	2,377,787
Interest receivable	39,981	48,194
Intergovernmental receivables	<u>2,243,628</u>	<u>2,041,767</u>
<b>TOTAL CURRENT ASSETS</b>	<b>27,149,451</b>	<b>27,152,148</b>
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	10,712,175	10,859,095
Investments	2,235,206	2,212,969
Interest receivable	<u>17,690</u>	<u>18,450</u>
<b>TOTAL RESTRICTED ASSETS</b>	<b>12,965,071</b>	<b>13,090,514</b>
<b>NON-CURRENT ASSETS</b>		
Capital assets		
Land and improvements	2,052,535	1,977,371
Buildings and equipment	11,317,956	10,425,075
Electric plant	49,558,312	48,557,570
Water plant	19,635,617	18,741,762
Sewer plant	<u>28,612,392</u>	<u>28,021,674</u>
	111,176,812	107,723,452
Less accumulated depreciation	<u>79,457,341</u>	<u>77,037,683</u>
Net capital assets	<u>31,719,471</u>	<u>30,685,769</u>
	<b><u>\$71,833,993</u></b>	<b><u>\$70,928,431</u></b>

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

## LIABILITIES AND NET POSITIONS

	<u>2013</u>	<u>2012</u> RESTATED
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,805,982	\$ 1,539,985
Intergovernmental payable	<u>57,625</u>	<u>55,597</u>
<b>TOTAL CURRENT LIABILITIES</b>	1,863,607	1,595,582
<b>LIABILITIES, PAYABLE FROM RESTRICTED ASSETS</b>		
Bond interest payable	60,439	62,107
Bond payable, current	425,000	410,000
Accounts payable	<u>259,314</u>	<u>58,674</u>
<b>TOTAL LIABILITIES, PAYABLE     FROM RESTRICTED ASSETS</b>	744,753	530,781
<b>NON-CURRENT LIABILITIES</b>		
Customer deposits	1,213,775	1,177,907
Bond payable, non-current	<u>8,595,000</u>	<u>9,020,000</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>9,808,775</u>	<u>10,197,907</u>
<b>TOTAL LIABILITIES</b>	12,417,135	12,324,270
<b>NET POSITIONS</b>		
Invested in capital assets, net of related debt	31,719,471	30,685,769
Restricted for capital projects	10,712,175	10,859,095
Unrestricted	<u>16,985,212</u>	<u>17,059,297</u>
<b>TOTAL NET POSITIONS</b>	<u>59,416,858</u>	<u>58,604,161</u>
	<u>\$71,833,993</u>	<u>\$70,928,431</u>

**West Memphis Utility Department**  
**An Enterprise Fund of the City of West Memphis, Arkansas**  
**STATEMENTS OF REVENUE, EXPENSES**  
**AND CHANGES IN NET POSITIONS**  
**For the Years Ended December 31**

	<u>2013</u>	<u>2012</u> <b>RESTATED</b>
<b>OPERATING REVENUE</b>		
Charges for services		
Electric	\$29,065,330	\$28,382,574
Water	1,455,173	1,617,817
Sewer	1,488,100	1,535,163
Other	<u>465,527</u>	<u>84,100</u>
	<u>32,474,130</u>	<u>31,619,654</u>
 <b>OPERATING EXPENSES</b>		
Purchase power for resale	15,811,779	15,240,430
Transmission charges	1,726,336	1,670,236
General and administrative	6,474,119	6,151,332
Maintenance, operations, and contracted services	3,439,657	3,280,368
Payment in lieu of taxes	1,583,131	1,547,317
Depreciation	<u>2,419,658</u>	<u>1,970,999</u>
	<u>31,454,680</u>	<u>29,860,682</u>
 <b>OPERATING INCOME</b>	 1,019,450	 1,758,972
 <b>NON-OPERATING REVENUE (EXPENSES)</b>		
Investment income	164,262	157,327
Interest on bonds	(371,015)	(379,763)
Amortization	<u>-</u>	<u>(172,981)</u>
	<u>(206,753)</u>	<u>(395,417)</u>
 <b>INCREASE IN NET POSITIONS</b>	 812,697	 1,363,555
 <b>NET POSITIONS AT BEGINNING OF YEAR</b>	 <u>58,604,161</u>	 <u>57,240,606</u>
 <b>NET POSITIONS AT END OF YEAR</b>	 <u>\$59,416,858</u>	 <u>\$58,604,161</u>

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



**West Memphis Utility Department**  
**An Enterprise Fund of the City of West Memphis, Arkansas**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31**

	<u>2013</u>	<u>2012</u> RESTATED
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$31,712,536	\$31,363,575
Payments to suppliers for goods and services	(24,953,312)	(24,753,427)
Payments to employees	<u>(3,457,755)</u>	<u>(3,461,542)</u>
<b>NET CASH PROVIDED BY</b>		
<b>OPERATING ACTIVITIES</b>	3,301,469	3,148,606
 <b>CASH FLOWS FROM NON-CAPITAL</b>		
<b>FINANCING ACTIVITIES:</b>		
Transfers from/(to) other funds	<u>(199,833)</u>	<u>611,449</u>
<b>NET CASH PROVIDED BY (USED IN)</b>		
<b>NON-CAPITAL FINANCING ACTIVITIES</b>	(199,833)	611,449
 <b>CASH FLOWS FROM CAPITAL AND</b>		
<b>RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(3,453,360)	(3,344,698)
Principal paid on bonds	(410,000)	(405,000)
Interest paid on bonds	<u>(372,683)</u>	<u>(381,187)</u>
<b>NET CASH USED IN CAPITAL AND</b>		
<b>RELATED FINANCING ACTIVITIES</b>	(4,236,043)	(4,130,885)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received on investments	173,235	168,051
Purchases of investments	<u>(147,972)</u>	<u>(140,463)</u>
<b>NET CASH PROVIDED BY</b>		
<b>INVESTING ACTIVITIES</b>	<u>25,263</u>	<u>27,588</u>
 <b>NET DECREASE IN CASH</b>	(1,109,144)	(343,242)
 <b>CASH AND CASH EQUIVALENTS AT</b>		
<b>BEGINNING OF YEAR</b>	<u>15,136,686</u>	<u>15,479,928</u>
 <b>CASH AND CASH EQUIVALENTS AT</b>		
<b>END OF YEAR</b>	<u>\$14,027,542</u>	<u>\$15,136,686</u>

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

**West Memphis Utility Department**  
**An Enterprise Fund of the City of West Memphis, Arkansas**  
**STATEMENTS OF CASH FLOWS - CONTINUED**  
**For the Years Ended December 31**

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	<u>2013</u>	<u>2012</u> <b>RESTATED</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 1,019,450	\$ 1,758,972
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	2,419,658	1,970,999
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(797,462)	(267,547)
(Increase) decrease in inventories	157,318	(246,062)
Increase (decrease) in accounts payable	466,637	(79,224)
Increase (decrease) in customer deposits	<u>35,868</u>	<u>11,468</u>
Total adjustments	<u>2,282,019</u>	<u>1,389,634</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 <u>\$ 3,301,469</u>	 <u>\$ 3,148,606</u>

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

**West Memphis Utility Department**  
**An Enterprise Fund of the City of West Memphis, Arkansas**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of the Operations**

The West Memphis Utility Department (the "Department"), an enterprise fund of the City of West Memphis, Arkansas provides electric, water and sewer services for the City. The current West Memphis Utility Commission has the authority to recommend electric, water and sewer rates to the City Council which has final authority for approving utility rates. The Department purchases 35% of its energy from NRG Energy. The balance is from generating and replacement power from Entergy.

**Governmental Accounting Standards**

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board ("GASB") is the established and recognized standard-setting body for governmental accounting and financial reporting. The GASB periodically issues new or revised standards that are implemented by the Department.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Department applies all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs") issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, which were codified into a single source for governmental standards.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Department's financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Interfund items and transactions between the electric, water and sewer funds have been eliminated.

**Accounts Receivable**

Account receivable is recorded at the amount the Department expects to collect on balances outstanding at year-end. An allowance for uncollectible accounts is estimated and recorded based on the Department's historical bad debt experience and on management's judgment. The allowance for uncollectible accounts was \$500,000 on December 31, 2013, and December 31, 2012.

**West Memphis Utility Department**  
**An Enterprise Fund of the City of West Memphis, Arkansas**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Inventories**

Inventories consist of materials and supplies for the following:

	<u>2013</u>	<u>2012</u>
Electric Department	\$ 682,183	\$ 645,194
Water Department	56,523	61,426
Sewer Department	3,875	4,556
Gas and Oil	58,327	53,649
Independence - Coal Stockpile	552,473	672,520
Independence - Materials and supplies	144,503	138,748
White Bluff - Coal Stockpile	504,543	582,160
White Bluff - Materials and supplies	<u>218,042</u>	<u>219,534</u>
Total	<u>\$2,220,469</u>	<u>\$2,377,787</u>

Inventories are stated at the lower of cost or market. Cost is determined using the average cost method.

**Capital Assets**

Capital assets, which include property, plant and equipment are stated at cost. Expenditures for maintenance and repairs are expensed when incurred. Additions, major improvements and replacements of units are capitalized and depreciated on a straight-line basis over the estimated useful lives of the various classes as follows:

	<u>Years</u>
Buildings	40
Furniture, fixtures and equipment	8 - 10
Plant in service	20 - 40
Investment in electric generating plant	27 - 28

Costs and related allowances for depreciation of assets sold or otherwise retired are eliminated from the asset and accumulated depreciation accounts where detail property records are available.

The Department's detailed property, plant and equipment records do not provide sufficient historical detail to determine the cost of individual assets. Due to this inadequacy, it is not always possible to determine the historical cost of property, plant and equipment to be retired. Therefore, certain assets have not been removed from the books when retired.

**West Memphis Utility Department**  
**An Enterprise Fund of the City of West Memphis, Arkansas**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Net Positions**

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the Department's financial statements. Net positions are classified in the following categories:

1. Net investment in capital assets - This amount consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of those assets.
2. Restricted net positions - This amount is restricted by creditors, grantors, contributors, or laws or regulations of the government.
3. Unrestricted net positions - This amount is the net position that does not meet the definition of "net investment of capital assets" or "restricted net positions".

**Short-term Investments**

Short-term investments are stated at cost unless there is an indication of permanent impairment of value, in which case the adjustment to market value is included in results of operations. Interest income is accrued as earned.

**Classification of Revenues and Expense**

As an enterprise (proprietary) fund, the Department classifies its revenues and expenses into the following classifications: operating revenue, operating expenses, non-operating revenue and non-operating expenses.

Operating revenue and expenses are deemed as revenues realized by the Department in exchange for providing its primary services for electric, water, sewer and other charges. Non-operating revenues are those derived from the investment of cash reserves and from entities other than customers and other ancillary sources. Non-operating expenses include those related to bond costs and amortization expenses.

**Revenues**

Revenues are included in income as services are delivered. The Utility Department reads customers' meter that will normally span a month; i.e., January 15 would include services delivered but not billed for 15 days in December. Included in the accounts receivable at December 31, 2013 and 2012, was an estimate for these unbilled services totaling \$1,527,993 and \$1,465,192, respectively.

**West Memphis Utility Department**  
**An Enterprise Fund of the City of West Memphis, Arkansas**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Statements of Cash Flows - Cash Equivalents**

For purposes of the statements of cash flows, the Department considers all liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from these estimates.

**Risk Management**

The Department purchases commercial insurance coverage for claims arising out of bodily injury or property damage as well as property insurance on Department properties, which includes earthquake and flood coverage. There were no significant reductions in insurance coverage in the current year. Additionally, there were no significant settlements, which exceeded insurance coverage for each of the past three years. The Department employees were members of the City of West Memphis Employee Self-Insured Benefit Plan that was administered by CIGNA Healthcare Insurance Company through June 30, 2011. The City was required to maintain a benefit plan account which would be sufficient at all times to fund plan benefits and plan related expenses. On July 1, 2011, the City changed to a fully funded plan with United Healthcare through September 30, 2012. Then on October 1, 2012, the City changed to CIGNA Open Access Plan.

**Compensated Absences**

Employees of the Department are entitled to pay for compensated absences depending on job classification, length of service, and other factors. It is the Department's policy to recognize the cost of compensated absences when actually paid to the employees.

**Events Occurring After Reporting Date**

The Company has evaluated events and transactions that occurred between December 31, 2013, and July 3, 2014, which is the date that financial statements were available to be issued, for possible recognition or disclosure in the financial statements

**NOTE B - INVESTMENT IN GENERATING PLANTS**

In 1980, the Department entered into an Ownership Agreement with Entergy whereby it purchased a 1% interest in two fossil fuel electric generating plants in Arkansas, one at White Bluff and one in Independence County. Both generating plants include two fully operational generating power units. The Department financed these purchases through the issuance of revenue bonds (See Note E).

**West Memphis Utility Department  
An Enterprise Fund of the City of West Memphis, Arkansas  
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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**NOTE B - INVESTMENT IN GENERATING PLANTS - CONTINUED**

As a party to the Ownership Agreement, the Department was required to pay its 1% share of the construction costs of the plants, as incurred by Entergy and as defined in the Agreement. After commercial operation of the plants began, the Department was also responsible for its 1% share of additions or replacements at each plant. The amounts recorded (including capitalized interest), of \$11,545,292 and \$10,777,654 for White Bluff and Independence, respectively, represent the Department's 1% share of plant construction cost.

The Department is also a party to an Operating Agreement with Entergy whereby it has agreed to pay 1% of the operating costs (mainly operations and maintenance expenses, not including fuel) of the plants. Furthermore, the Department also pays for 1% of the coal purchased by the plants and this amount is included in inventory on the accompanying balance sheets.

These agreements entitle the Department to 1% of the net generating capacity and energy of the plants, which is delivered to West Memphis in accordance with a transmission agreement.

**NOTE C - CASH AND SHORT-TERM INVESTMENTS**

The Treasurer of West Memphis Utility Commission is authorized by the State of Arkansas Statutes to invest excess cash balances in short-term investments. At December 31, 2013 and 2012, cash and short-term investments are listed below:

	<u>2013</u>		<u>2012</u>	
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>
CASH	\$10,712,175	\$ 3,334,501	\$10,859,095	\$ 4,277,591
INVESTMENTS:				
Certificates of Deposit	<u>2,235,206</u>	<u>12,641,400</u>	<u>2,212,969</u>	<u>12,515,665</u>
	<u>\$12,966,515</u>	<u>\$15,956,767</u>	<u>\$13,072,064</u>	<u>\$16,793,256</u>

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Department's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; U.S. Treasury and U.S. agencies and instrumentalities bonds or other obligations; bonds of the State of Arkansas or by bonds of a political subdivision thereof which has never defaulted on any of its obligations.

At December 31, 2013 and 2012, none of the Department's bank balances of \$19,400,205 and \$21,171,234, respectively, were exposed to custodial credit risk.

**West Memphis Utility Department  
An Enterprise Fund of the City of West Memphis, Arkansas  
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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**NOTE C - CASH AND SHORT-TERM INVESTMENTS - CONTINUED**

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 no 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 D - RESTRICTED ASSETS**

Restricted cash and investments represent amounts required to be maintained by agreements related to the bond issue and deposits received from customers.

**NOTE E - REVENUE BONDS PAYABLE**

On November 1, 2009, the Department issued \$10,620,000 of the Public Utility System Revenue Bond, Series 2009. Principal payments are due annually in increasing amounts over 18 years beginning in 2010. Interest is payable semi-annually. The bond has various interest rates ranging from 2.0 - 4.5% dependent upon the maturity date.

Changes in long-term debt:

	<u>Balance</u> <u>December 31, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>December 31, 2013</u>
Bond payable	\$9,430,000	\$ -	\$410,000	\$9,020,000

Total long-term debt principal and interest payments are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$425,000	\$362,638	\$787,638
2015	435,000	350,738	785,738
2016	450,000	337,688	787,688
2017	465,000	320,813	785,813
2018	480,000	303,375	783,375
2019-2023	2,705,000	1,226,135	3,931,135
2024-2029	<u>4,060,000</u>	<u>651,068</u>	<u>4,711,068</u>
	<u>\$9,020,000</u>	<u>\$3,552,455</u>	<u>\$12,572,455</u>



**West Memphis Utility Department**  
**An Enterprise Fund of the City of West Memphis, Arkansas**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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**NOTE F - RELATIONSHIPS WITH THE CITY**

The Department is one of a number of departments and/or funds of the City of West Memphis established for a specific purpose. General services, such as personnel, data processing, financial administration and legal services are provided to the Department by the City. The costs associated with providing these services are charged to the Department by the City. The City also charges the Department an amount in lieu of franchise taxes.

The Department, as a convenience to customers, includes the fees for city-provided garbage collection in its monthly customer billings. These fees are remitted to the Sanitation Department monthly and are not reflected in the accompanying financial statements.

**NOTE G - INTERGOVERNMENTAL BALANCES**

During the course of its operations, the Department has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds have not been paid or received as of December 31, 2013, balances of interfund amounts receivable or payable have been recorded as "intergovernmental receivables/payables". All interfund balances are expected to be paid within one year.

**NOTE H - CONTINGENCY**

The City of West Memphis is involved in a number of lawsuits arising in the ordinary course of business. None of the lawsuits are directly related to the West Memphis Utility Department.

**NOTE I - PENSION PLAN**

On January 1, 1977, the City established a defined contribution pension plan for all non-uniformed employees. The City contributes 6% of each participant's annual salary, and employees can also contribute a voluntary amount of not less than 2% of his/her regular pay to the plan. Participants vest in the employer's contribution at a rate of 20% per year. Eligibility commences one year from date of employment.

Employees have the option to invest the funds in their account. Employees are entitled only to the funds deposited by them and on their behalf; therefore, there is no unfunded liability.

The amount contributed to the pension plan and expensed by the Department was \$178,690 and \$179,626 for the years ended December 31, 2013 and 2012, respectively.

**West Memphis Utility Department**  
**An Enterprise Fund of the City of West Memphis, Arkansas**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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**NOTE J - MAJOR VENDORS**

Purchases for the year ended December 31, 2013 and 2012, include purchases from two major vendors.

	<u>2013</u>		<u>2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Purchases from:				
Vendor A	\$9,071,263	57.37%	\$8,900,877	58.40%
Vendor B	6,740,516	42.63%	6,339,553	41.60%
Accounts Payable:				
Vendor A	\$560,142	31.02%	461,746	29.98%
Vendor B	777,477	43.05%	657,331	42.68%

**NOTE K - PRIOR PERIOD ADJUSTMENT**

The Department has restated its previously issued 2012 financial statements for matters related to the implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements required changes in account captions in the statements of net positions. In addition, the balance of unamortized deferred debt expense (\$78,285) and unamortized bond discount (\$94,695) was fully amortized in the year ended December 31, 2012, rather than adjusted through a prior period adjustment due to materiality.

**SUPPLEMENTARY INFORMATION**

**West Memphis Utility Department**  
**An Enterprise Fund of the City of West Memphis, Arkansas**  
**CAPITAL ASSETS**  
**December 31, 2013**

	<b>COST</b>			
	<b>Balance January 1, 2013</b>	<b>Additions and Transfers</b>	<b>Disposals and Transfers</b>	<b>Balance December 31, 2013</b>
<b>UTILITY, PLANT IN SERVICE</b>				
Electric	\$ 26,482,984	\$752,383	\$ -	\$ 27,235,367
Generating plants				
White Bluff	11,416,933	128,358	-	11,545,291
Independence	<u>10,657,653</u>	<u>120,001</u>	-	<u>10,777,654</u>
	48,557,570	1,000,742	-	49,558,312
Water	18,741,762	893,855	-	19,635,617
Sewer	<u>28,021,674</u>	<u>590,718</u>	-	<u>28,612,392</u>
	95,321,006	2,485,315	-	97,806,321
<b>CAPITAL ASSETS</b>				
Land	418,341	-	-	418,341
Buildings	1,038,469	206,198	-	1,244,667
Building improvements	1,559,030	75,164	-	1,634,194
Furniture and fixtures	574,801	336	-	575,137
Transportation equipment	5,266,475	382,408	-	5,648,883
Miscellaneous equipment	<u>3,545,330</u>	<u>303,939</u>	-	<u>3,849,269</u>
	12,402,446	968,045	-	13,370,491
<b>CONTRIBUTION IN AID OF CONSTRUCTION</b>				
	-	-	-	-
	<u>\$107,723,452</u>	<u>\$3,453,360</u>	<u>\$ -</u>	<u>\$111,176,812</u>

**ACCUMULATED DEPRECIATION**

<b>Balance January 1, 2013</b>	<b>Current Provision</b>	<b>Other Additions</b>	<b>Balance December 31, 2013</b>
\$13,941,099	\$ 958,590	\$ -	\$14,899,689
9,876,723	78,952	-	9,955,675
<u>9,441,608</u>	<u>63,211</u>	<u>-</u>	<u>9,504,819</u>
33,259,430	1,100,753	-	34,360,183
10,607,807	303,797	-	10,911,604
<u>19,755,076</u>	<u>488,384</u>	<u>-</u>	<u>20,243,460</u>
63,622,313	1,892,934	-	65,515,247
-	-	-	-
368,310	25,205	-	393,515
663,025	39,994	-	703,019
360,374	37,818	-	398,192
4,035,163	289,926	-	4,325,089
<u>3,021,412</u>	<u>133,781</u>	<u>-</u>	<u>3,155,193</u>
8,448,284	526,724	-	8,975,008
<u>4,967,086</u>	<u>-</u>	<u>-</u>	<u>4,967,086</u>
<u>\$77,037,683</u>	<u>\$2,419,658</u>	<u>\$ -</u>	<u>\$79,457,341</u>

**West Memphis Utility Department**  
**An Enterprise Fund of the City of West Memphis, Arkansas**  
**UTILITY SALES AND CUSTOMER DATA**  
**For the Years Ended December 31**

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	<b>Electric Sales (KWH)</b>		<b>Number of Metered</b>	
	<b><u>In Thousands</u></b>		<b><u>Customers</u></b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Residential	147,135	148,582	10,262	10,362
Commercial & industrial	212,716	214,221	1,570	1,569
Public authority	<u>14,509</u>	<u>14,263</u>	<u>132</u>	<u>129</u>
	<u>374,360</u>	<u>377,066</u>	<u>11,964</u>	<u>12,060</u>

	<b>Water Sale</b>		<b>Number of Metered</b>	
	<b><u>(Thousand of Gallons)</u></b>		<b><u>Customers</u></b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Residential	701,950	788,975	8,364	8,395
Commercial & industrial	694,074	704,169	1,061	1,053
Public authority	<u>28,225</u>	<u>37,647</u>	<u>34</u>	<u>33</u>
	<u>1,424,249</u>	<u>1,530,791</u>	<u>9,459</u>	<u>9,481</u>