

City of West Memphis, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2010

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF WEST MEMPHIS, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Independent Auditor's Report
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*

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis	B
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Street Funds – Regulatory Basis	C
Notes to Financial Statements	

SUPPORTING SCHEDULES

	<u>Schedule</u>
Combining Balance Sheet – Other Funds in the Aggregate – Regulatory Basis	1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Funds in the Aggregate – Regulatory Basis	2
Notes to Schedules 1 and 2	

SUPPLEMENTARY INFORMATION

Schedule of Capital Assets (Unaudited)	3
Schedule of Selected Information for the Last Five Years – Regulatory Basis (Unaudited)	4

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Rep. Tim Summers
House Chair
Sen. David Wyatt
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Rep. Toni Bradford
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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, 2010, 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, 2010, 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, 2010, 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, 2010, 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 4, 2011 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, appearing to read "Roger A. Norman".

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

Little Rock, Arkansas
October 4, 2011
LOM109410

Sen. Bill Pritchard
Senate Chair
Rep. Tim Summers
House Chair
Sen. David Wyatt
Senate Vice Chair
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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, 2010 and have issued our report thereon dated October 4, 2011. 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

2010-1 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.

2010-2 Arkansas Code requires City management to maintain financial records. The Other Funds in the Aggregate financial records contained material misstatements primarily due to classification errors, omitted entries, and unreconciled amounts for assets, liabilities, fund balance, revenues, and expenditures of \$463, \$115,996, \$22,679, \$338,811, and \$58,856, respectively. The effect of these omissions and misstatements constitutes a significant control deficiency in the process of preparing financial records. City management should implement procedures to ensure that all assets, liabilities, fund balance, revenues, and expenditures are properly accounted for and recorded.

The **Treasurer** has approved the appropriate entries to the records.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the Internal Control over Financial Reporting section as item 2010-2.

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 2010:

Mayor: William H. Johnson
Treasurer: Frank Martin
City Clerk: Phillip 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**, **City Clerk**, **District Court Clerk**, and **Police Chief** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices was noted in the Office of **Treasurer**. Noncompliance with accepted accounting practices was noted in the Office of **District Court Clerk**.

Treasurer

Street turnback in the amount of \$109,383 was not deposited into the Street Fund in noncompliance with Ark. Code Ann. § 14-59-104.

The following information system weaknesses were discovered during a review of computer applications:

Treasurer

Password controls did not meet minimum standards. Passwords were not required to be changed on a periodic, recurring basis not to exceed 90 days. Password history file was not maintained to prevent re-use of previous passwords. User accounts were not locked out after three unsuccessful logon attempts. Failure to establish proper password controls increases the likelihood that an unauthorized person could gain access to the system.

District Court Clerk

The Disaster Recovery Plan was not tested. This situation could cause the entity to be without computer processing for an extended period of time in the event of disaster or major interruption and could also place a financial and personnel burden on the resources of the entity.

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

A handwritten signature in black ink that reads "June M. Barron". The signature is written in a cursive style with a large, looped initial "J".

June M. Barron, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
October 4, 2011

CITY OF WEST MEMPHIS, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2010

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 2,640,482	\$ 3,293,666	\$ 7,401,862
Investments			8,745,203
Accounts receivable	1,162,806	108,008	249,756
Interfund receivables	357,467	2,615,386	253,041
TOTAL ASSETS	\$ 4,160,755	\$ 6,017,060	\$ 16,649,862
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 231,399	\$ 120,074	\$ 1,118,469
Interfund payables	2,430,799	49,679	745,416
Settlements pending			295,853
Total Liabilities	2,662,198	169,753	2,159,738
Fund Balances:			
Reserved (Note 9)	319,249	5,847,307	14,490,124
Unreserved:			
Undesignated	1,179,308		
Total Fund Balances	1,498,557	5,847,307	14,490,124
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,160,755	\$ 6,017,060	\$ 16,649,862

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, 2010

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
REVENUES			
State aid	\$ 697,336	\$ 1,396,916	\$ 349,368
Federal aid	271,608	100,000	1,358,472
Property taxes		150,401	1,070,864
Franchise fees	2,142,599		
Sales taxes	6,800,430	1,267,158	168,954
Fines, forfeitures, and costs	783,352		503,042
Interest	7,942	36,422	247,304
Local permits and fees	875,920		
Sanitation fees			2,346,717
Advertising and promotion tax			1,149,252
911 fees			289,499
Southland breakage	132,401		
Southland gaming tax	525,171		
Insurance premiums collected	344,712		
Other	946,035	50,000	274,649
	<u>13,527,506</u>	<u>3,000,897</u>	<u>7,758,121</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
General government	2,484,191		109,446
Law enforcement	7,243,325		949,453
Highways and streets		2,320,229	362,951
Public safety	4,142,025		785,949
Sanitation			2,196,114
Health	160,372		
Recreation and culture	616,958		536,264
Social services	675,721		274,866
Community Development	359,281		1,141,499
Total Current	<u>15,681,873</u>	<u>2,320,229</u>	<u>6,356,542</u>

CITY OF WEST MEMPHIS, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit B

	General	Street	Other Funds in the Aggregate
EXPENDITURES (CONTINUED)			
Debt Service:			
Bond principal			\$ 70,000
Bond interest and other charges			67,570
Note principal	\$ 110,682		
Note interest	9,608		
TOTAL EXPENDITURES	15,802,163	\$ 2,320,229	6,494,112
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,274,657)	680,668	1,264,009
OTHER FINANCING SOURCES (USES)			
Transfers in	737,243		371,403
Transfers out		(86,796)	(1,021,850)
Contribution to airport	(105,597)		
Contribution from utility	896,028		
Gain (loss) on sale of investments			128,595
TOTAL OTHER FINANCING SOURCES (USES)	1,527,674	(86,796)	(521,852)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(746,983)	593,872	742,157
FUND BALANCES - JANUARY 1	2,245,540	5,253,435	13,747,967
FUND BALANCES - DECEMBER 31	\$ 1,498,557	\$ 5,847,307	\$ 14,490,124

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, 2010

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 980,000	\$ 697,336	\$ (282,664)	\$ 1,286,000	\$ 1,396,916	\$ 110,916
Federal aid		271,608	271,608		100,000	100,000
Property taxes				166,667	150,401	(16,266)
Franchise fees	2,225,595	2,142,599	(82,996)			
Sales taxes	6,760,366	6,800,430	40,064	1,340,000	1,267,158	(72,842)
Fines, forfeitures, and costs	705,000	783,352	78,352			
Interest	5,000	7,942	2,942	30,000	36,422	6,422
Local permits and fees	786,824	875,920	89,096			
Southland breakage	320,000	132,401	(187,599)			
Southland gaming tax	325,000	525,171	200,171			
Insurance premiums collected		344,712	344,712			
Other	821,023	946,035	125,012		50,000	50,000
TOTAL REVENUES	12,928,808	13,527,506	598,698	2,822,667	3,000,897	178,230
EXPENDITURES						
Current:						
General government	2,126,288	2,484,191	(357,903)			
Law enforcement	7,132,006	7,243,325	(111,319)			
Highways and streets				3,529,239	2,320,229	1,209,010
Public safety	4,158,868	4,142,025	16,843			
Health	161,000	160,372	628			
Recreation and culture	557,092	616,958	(59,866)			
Social services	614,885	675,721	(60,836)			
Community Development	387,000	359,281	27,719			
Total Current	15,137,139	15,681,873	(544,734)	3,529,239	2,320,229	1,209,010
Debt Service:						
Note principal		110,682	(110,682)			
Note interest	3,785	9,608	(5,823)			
TOTAL EXPENDITURES	15,140,924	15,802,163	(661,239)	3,529,239	2,320,229	1,209,010

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, 2010

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (2,212,116)	\$ (2,274,657)	\$ (62,541)	\$ (706,572)	\$ 680,668	\$ 1,387,240
OTHER FINANCING SOURCES (USES)						
Transfers in	594,327	737,243	142,916			
Transfers out					(86,796)	(86,796)
Contribution to airport		(105,597)	(105,597)			
Contribution from utility	896,028	896,028				
TOTAL OTHER FINANCING SOURCES (USES)	1,490,355	1,527,674	37,319		(86,796)	(86,796)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(721,761)	(746,983)	(25,222)	(706,572)	593,872	1,300,444
FUND BALANCES - JANUARY 1	2,245,540	2,245,540		5,253,435	5,253,435	
FUND BALANCES - DECEMBER 31	<u>\$ 1,523,779</u>	<u>\$ 1,498,557</u>	<u>\$ (25,222)</u>	<u>\$ 4,546,863</u>	<u>\$ 5,847,307</u>	<u>\$ 1,300,444</u>

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

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 Judge's and Clerk's 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 Capital Projects Fund, General Park, 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 Debt Service Fund, Park Bond, 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, 2010

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, 2010

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, 2010	
	Reported Amount	Fair Value
Pension Trust	\$ 8,745,203	\$ 9,778,131

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 4: Public Fund Investments (Continued)

These investments are composed of the following:

	December 31, 2010	
	Reported Amount	Fair Value
Equities	\$ 4,238,111	\$ 5,128,505
Mutual funds	1,452,812	1,442,847
Convertible securities	20,662	22,546
Corporate bonds	2,124,347	2,229,222
US Government securities	909,270	955,012
	\$ 8,745,203	\$ 9,778,131

NOTE 5: Accounts Receivable

The accounts receivable balance at December 31, 2010 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	\$ 105,403	\$ 108,008	\$ 123,350
Federal aid			6,851
Franchise fees	159,271		
Local permits and fees	26,842		
Fines, forfeitures, and costs	55,809		5,014
Southland gaming tax	56,936		
Sales taxes	624,618		
Advertising and promotion tax			96,891
911 fees			8,403
Other	133,927		9,247
	\$ 1,162,806	\$ 108,008	\$ 249,756

NOTE 6: Accounts Payable

The accounts payable balance at December 31, 2010 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables		\$ 10,429	\$ 111,398
Other	\$ 231,399	109,645	1,007,071
	\$ 231,399	\$ 120,074	\$ 1,118,469

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 7: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2010	
	Interfund Receivables	Interfund Payables
General	\$ 357,467	\$ 2,430,799
Street	2,615,386	49,679
Other Funds in the Aggregate:		
Special Revenue:		
Sanitation	362	204,499
Library		38,475
Advertising and Promotion	2,415	46,262
Narcotics		100,000
Park Commission	3,921	
Community Development	988	
Auditorium	250	785
Metropolitan Planning Organization	35,115	
Special	13,721	
Capital Project:		
General Park	11,878	
Trust and Agency:		
Policemen's Pension	14,852	
Firemen's Pension	14,852	354,407
Payroll	154,687	988
Totals	\$ 3,225,894	\$ 3,225,894

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances are expected to be repaid in 2011 or when funds become available.

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2010, the legal debt limit for the bonded debt was \$59,791,902. 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, 2010, the legal debt limit for short-term financing obligations was \$15,496,296. The amount of short-term financing obligations was \$113,894, leaving a legal debt margin of \$15,382,402.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 9: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2010
<u>General Fund</u>	
Judicial Fine Enhancement	\$ 24,065
Delta Regional Authority Grant	159,541
Emergency Medical Services	13,390
Law Enforcement	1,322
Neighborhood Center	9,265
Employee Self-Insured Benefits (Insurance)	111,666
Total General	\$ 319,249
<u>Street Fund</u>	\$ 5,847,307
<u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
Sanitation	\$ 796,304
Library	1,443,214
Advertising and Promotion	691,246
Narcotics	161,143
Park Commission	85,805
Auditorium	89,403
Community Development	1,531
Emergency 911	139,411
Metropolitan Planning Organization	58,323
Special	735,387
Federal Grant Programs	41,643
District Judge's and Clerk's Retirement Cost	36,612
Total Special Revenue	4,280,022
Capital Projects Fund - General Park	264,662
Debt Service Fund - Park Bond	51,477
Trust Funds:	
Firemen's Pension	5,331,897
Policemen's Pension	4,562,066
Total Trust	9,893,963
Total Other Funds in the Aggregate	\$ 14,490,124

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 10: Commitments

Total commitments consist of the following at December 31, 2010:

	December 31, 2010
Long-Term Liabilities	\$ 3,877,102

Long-Term Liabilities

Long-Term liabilities at December 31, 2010 are comprised of the following:

	December 31, 2010
City of West Memphis, Arkansas, Capital Improvement Revenue Bond Series 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.	\$ 1,475,000
Note payable to Fidelity National Bank dated June 1, 2006, 4.25% interest to purchase a 2005 Pierce fire truck, annual installments of \$48113, beginning June 1, 2007. Payments are to be made from the General Fund.	44,659
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.	69,235
The unfunded actuarially determined liability for the District Judge's and Clerk's Retirement. Payments are to be made to the Arkansas Public Employees Retirement System from the District Judge's and Clerk's Retirement Cost Fund for up to a thirty-year period.	177,531
Compensated Absence Liability	2,110,677
Total Long-Term Liabilities	\$ 3,877,102

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

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 10: Commitments (Continued)

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2010:

Years Ending December 31,	Bonds	Notes	Total
2011	\$ 137,878	\$ 120,290	\$ 258,168
2012	134,952		134,952
2013	136,850		136,850
2014	133,570		133,570
2015	135,124		135,124
2016 through 2020	671,405		671,405
2021 through 2025	671,009		671,009
Total Obligations	2,020,788	120,290	2,141,078
Less Interest	545,788	6,396	552,184
Total Principal	<u>\$ 1,475,000</u>	<u>\$ 113,894</u>	<u>\$ 1,588,894</u>

NOTE 11: Interfund Transfers

The Street Fund transferred \$86,796 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 \$287,243 to the General Fund to defray costs for Memphis Area Transit Authority bus system. Other Funds in the Aggregate (Emergency 911 Fund) transferred \$200,000 to the General Fund to reimburse for Emergency 911 dispatchers' salaries. Other Funds in the Aggregate (Narcotics Fund) transferred \$250,000 to the General Fund for drug enforcement costs. Within Other Funds in the Aggregate, the Capital Projects Fund transferred \$140,985 to the Debt Service Fund to cover bond payments and the Advertising and Promotion Fund transferred \$143,622 to the Capital Projects Fund for capital expenditures.

NOTE 12: 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 \$1,475,000 and \$545,788, respectively, payable through June 1, 2025. For the current year, principal and interest paid were \$70,000 and \$65,670, respectively.

The General Fund received \$2,142,599 in franchise taxes in 2010. Any franchise taxes collected in excess of the debt service payments is permitted to be used for other city expenditures. The City opted to use Advertising and Promotion taxes to cover the debt service payments.

NOTE 13: 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.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 13: Risk Management (Continued)

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.

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 14: 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.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

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 15: 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.

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 16: 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

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

**NOTE 16: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan) (Continued)**

Funding Policy (Continued)

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 17: 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.

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 18: Southland Greyhound Park Breakage

Southland Greyhound Park Breakage consists of the City's share of the odd cents or breaks after distribution of each parimutuel pool. In accordance with Ark. Code Ann. § 23-111-509, breakage is computed as the amount of odd cents remaining in each parimutuel 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 19: 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 20: 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 2010 was \$896,028. The City also charges the Department five percent of utility sales in lieu of franchise taxes. The amount paid by the Department in 2010 was \$1,500,459.
- 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.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 21: 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 22: 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, 2010, the balance in this account was \$111,666 and is reflected in the financial statements as part of the General Fund's Reserved Fund Balance. Insurance premiums collected in the amount of \$344,712, as reflected on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis, represent the employees' share of the insurance premiums. Claims paid during 2010 from the account totaled \$1,686,190.

NOTE 23: Subsequent Events

The City entered into a financing agreement with West Memphis Utility Commission on March 17, 2011 in the amount of \$275,000 to purchase a fire truck.

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2010

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	\$ 1,072,174	\$ 1,481,870	\$ 649,943	\$ 261,143	\$ 81,884	\$ 93,188	\$ 543	\$ 131,008	\$ 24,571
Investments									
Accounts receivable			96,891					8,403	23,350
Interfund receivables	362		2,415		3,921	250	988		35,115
TOTAL ASSETS	\$ 1,072,536	\$ 1,481,870	\$ 749,249	\$ 261,143	\$ 85,805	\$ 93,438	\$ 1,531	\$ 139,411	\$ 83,036
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 71,733	\$ 181	\$ 11,741			\$ 3,250			\$ 24,713
Interfund payables	204,499	38,475	46,262	\$ 100,000		785			
Settlements pending									
Total Liabilities	276,232	38,656	58,003	100,000		4,035			24,713
Fund Balances:									
Reserved (Note 9)	796,304	1,443,214	691,246	161,143	\$ 85,805	89,403	\$ 1,531	\$ 139,411	58,323
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,072,536	\$ 1,481,870	\$ 749,249	\$ 261,143	\$ 85,805	\$ 93,438	\$ 1,531	\$ 139,411	\$ 83,036

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2010

Schedule 1

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TRUST FUNDS	
	Special	Federal Grant Programs	District Judge's and Clerk's Retirement Cost	General Park	Park Bond	Firemen's Pension	Policemen's Pension
ASSETS							
Cash and cash equivalents	\$ 721,666	\$ 41,643	\$ 36,612	\$ 147,901	\$ 51,477	\$ 643,209	\$ 825,240
Investments						5,028,243	3,716,960
Accounts receivable	6,851			104,883			5,014
Interfund receivables	13,721			11,878		14,852	14,852
TOTAL ASSETS	\$ 742,238	\$ 41,643	\$ 36,612	\$ 264,662	\$ 51,477	\$ 5,686,304	\$ 4,562,066
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 6,851						
Interfund payables						\$ 354,407	
Settlements pending							
Total Liabilities	6,851					354,407	
Fund Balances:							
Reserved (Note 9)	735,387	\$ 41,643	\$ 36,612	\$ 264,662	\$ 51,477	5,331,897	\$ 4,562,066
TOTAL LIABILITIES AND FUND BALANCES	\$ 742,238	\$ 41,643	\$ 36,612	\$ 264,662	\$ 51,477	\$ 5,686,304	\$ 4,562,066

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2010

Schedule 1

AGENCY FUNDS					
	District Court	Payroll	Police Confiscation	Administration of Justice	Totals
ASSETS					
Cash and cash equivalents	\$ 193,884	\$ 841,937	\$ 101,153	\$ 816	\$ 7,401,862
Investments					8,745,203
Accounts receivable		4,364			249,756
Interfund receivables		154,687			253,041
TOTAL ASSETS	\$ 193,884	\$ 1,000,988	\$ 101,153	\$ 816	\$ 16,649,862
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		\$ 1,000,000			\$ 1,118,469
Interfund payables		988			745,416
Settlements pending	\$ 193,884		\$ 101,153	\$ 816	295,853
Total Liabilities	193,884	1,000,988	101,153	816	2,159,738
Fund Balances:					
Reserved (Note 9)					14,490,124
TOTAL LIABILITIES AND FUND BALANCES	\$ 193,884	\$ 1,000,988	\$ 101,153	\$ 816	\$ 16,649,862

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, 2010

Schedule 2

SPECIAL REVENUE FUNDS									
	Sanitation	Library	Advertising and Promotion	Narcotics	Park Commission	Auditorium	Community Development	Emergency 911	Metropolitan Planning Organization
REVENUES									
State aid		\$ 70,527							
Federal aid							\$ 479,335		\$ 283,089
Property taxes		466,668							
Sales taxes									
Fines, forfeitures, and costs				\$ 398,829					
Interest	\$ 2,797	9,542	\$ 8,798	307		\$ 236		\$ 375	
Sanitation fees	2,346,717								
Advertising and promotion tax			1,149,252						
911 fees								289,499	
Other		12,604	39,818	3,800	\$ 53,583	37,442			23,030
TOTAL REVENUES	2,349,514	559,341	1,197,868	402,936	53,583	37,678	479,335	289,874	306,119
EXPENDITURES									
Current:									
General government									
Law enforcement				31,579					
Highways and streets									362,951
Public safety								50,578	
Sanitation	2,196,114								
Recreation and culture		337,122			51,001	16,571			
Social services									
Community Development			657,896				483,603		
Total Current	2,196,114	337,122	657,896	31,579	51,001	16,571	483,603	50,578	362,951
Debt Service:									
Bond principal									
Bond interest and other charges									
TOTAL EXPENDITURES	2,196,114	337,122	657,896	31,579	51,001	16,571	483,603	50,578	362,951
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	153,400	222,219	539,972	371,357	2,582	21,107	(4,268)	239,296	(56,832)
OTHER FINANCING SOURCES (USES)									
Transfers in									86,796.00
Transfers out			(430,865)	(250,000)				(200,000)	
Gain (loss) on sale of investments									
TOTAL OTHER FINANCING SOURCES (USES)			(430,865)	(250,000)				(200,000)	86,796
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	153,400	222,219	109,107	121,357	2,582	21,107	(4,268)	39,296	29,964
FUND BALANCES - JANUARY 1	642,904	1,220,995	582,139	39,786	83,223	68,296	5,799	100,115	28,359
FUND BALANCES - DECEMBER 31	\$ 796,304	\$ 1,443,214	\$ 691,246	\$ 161,143	\$ 85,805	\$ 89,403	\$ 1,531	\$ 139,411	\$ 58,323

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, 2010

Schedule 2

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TRUST FUNDS		Totals
	Special	Federal Grant Programs	District Judge's and Clerk's Retirement Cost	General Park	Park Bond	Firemen's Pension	Policemen's Pension	
REVENUES								
State aid	\$ 47,315			\$ 100,000		\$ 44,582	\$ 86,944	\$ 349,368
Federal aid	284,634	\$ 311,414						1,358,472
Property taxes						302,098	302,098	1,070,864
Sales taxes	168,954							168,954
Fines, forfeitures, and costs	10,380		\$ 14,398				79,435	503,042
Interest	1,467				\$ 6	151,886	71,890	247,304
Sanitation fees								2,346,717
Advertising and promotion tax								1,149,252
911 fees								289,499
Other	83,498		29			10,535	10,310	274,649
TOTAL REVENUES	596,248	311,414	14,427	100,000	6	509,101	550,677	7,758,121
EXPENDITURES								
Current:								
General government	109,446							109,446
Law enforcement	347,903		16,165				553,806	949,453
Highways and streets								362,951
Public safety	34,598					700,773		785,949
Sanitation								2,196,114
Recreation and culture				131,570				536,264
Social services		274,866						274,866
Community Development								1,141,499
Total Current	491,947	274,866	16,165	131,570		700,773	553,806	6,356,542
Debt Service:								
Bond principal						70,000		70,000
Bond interest and other charges						67,570		67,570
TOTAL EXPENDITURES	491,947	274,866	16,165	131,570	137,570	700,773	553,806	6,494,112
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	104,301	36,548	(1,738)	(31,570)	(137,564)	(191,672)	(3,129)	1,264,009
OTHER FINANCING SOURCES (USES)								
Transfers in				143,622	140,985			371,403
Transfers out				(140,985)				(1,021,850)
Gain (loss) on sale of investments						181,939	(53,344)	128,595
TOTAL OTHER FINANCING SOURCES (USES)				2,637	140,985	181,939	(53,344)	(521,852)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	104,301	36,548	(1,738)	(28,933)	3,421	(9,733)	(56,473)	742,157
FUND BALANCES - JANUARY 1	631,086	5,095	38,350	293,595	48,056	5,341,630	4,618,539	13,747,967
FUND BALANCES - DECEMBER 31	\$ 735,387	\$ 41,643	\$ 36,612	\$ 264,662	\$ 51,477	\$ 5,331,897	\$ 4,562,066	\$ 14,490,124

CITY OF WEST MEMPHIS, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2010

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 three percent of gross proceeds from restaurants, cafes, etc. West Memphis City Ordinance no. 917 (November 3, 1977) established this fund to receive one percent 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, 2010

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

<u>Fund Name</u>	<u>Fund Description</u>
District Judge's and Clerk's 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 revenues to 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
DECEMBER 31, 2010
(Unaudited)

Schedule 3

	<u>December 31, 2010</u>
Land	\$ 2,519,412
Buildings	6,045,530
Equipment	<u>7,637,465</u>
Total	<u>\$ 16,202,407</u>

CITY OF WEST MEMPHIS, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
DECEMBER 31, 2010
(Unaudited)

Schedule 4

<u>General</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Assets	\$ 4,160,755	\$ 4,375,989	\$ 4,028,794	\$ 2,530,686	\$ 3,201,506
Total Liabilities	2,662,198	2,130,449	1,958,907		
Total Fund Balances	1,498,557	2,245,540	2,069,887	2,530,686	3,201,506
Total Revenues	13,527,506	14,207,709	14,665,231	15,714,136	12,545,745
Total Expenditures	15,802,163	16,025,623	16,400,064	17,226,481	13,127,873
Total Other Financing Sources/Uses	1,527,674	1,993,567	1,441,642	841,525	1,065,120
<u>Street</u>					
Total Assets	\$ 6,017,060	\$ 5,428,071	\$ 5,108,374	\$ 1,575,008	\$ 1,839,917
Total Liabilities	169,753	174,636	7,214		
Total Fund Balances	5,847,307	5,253,435	5,101,160	1,575,008	1,839,917
Total Revenues	3,000,897	2,770,410	2,925,171	2,659,260	2,685,997
Total Expenditures	2,320,229	2,556,716	2,229,491	2,859,302	2,512,142
Total Other Financing Sources/Uses	(86,796)	(61,419)	(42,709)	(64,867)	(81,183)
<u>Other Funds in the Aggregate</u>					
Total Assets	\$ 16,649,862	\$ 15,703,222	\$ 14,997,995	\$ 15,554,246	\$ 17,230,855
Total Liabilities	2,159,738	1,955,255	981,715	301,110	335,000
Total Fund Balances	14,490,124	13,747,967	14,016,280	15,253,136	16,895,855
Total Revenues	7,758,121	6,991,606	7,410,427	6,434,382	6,206,781
Total Expenditures	6,494,112	6,020,851	6,622,339	8,311,755	5,425,027
Total Other Financing Sources/Uses	(521,852)	(1,239,068)	(1,347,641)	234,654	2,165,163

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