

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

FINANCIAL REPORT

December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the West Memphis Utility Commission
An Enterprise Fund of the City of West Memphis, Arkansas
West Memphis, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the West Memphis Utility Department, an enterprise fund of the City of West Memphis, Arkansas, which comprise the statements of net assets as of December 31, 2012 and 2011, the related statements of revenues, expenses and changes in net assets 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 of 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.

Opinion

As discussed in Note A, the financial statements present only the West Memphis Utility Department, an enterprise fund of the City of West Memphis, Arkansas 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 of its proprietary and nonexpendable trust funds, in conformity with accounting principles generally accepted in the United States of America. Also, 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. Further, the Department 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.

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, had the records been auditable, and the omission of the management's discussion and analysis, 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, 2012 and 2011, 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.

Our audits of the financial statements of the West Memphis Utility Department, an enterprise fund of the City of West Memphis (an Arkansas Municipal Corporation) for the years ended December 31, 2012 and 2011, 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.

West Memphis, Arkansas
June 27, 2013

Jackson, Howell & Associates, PLLC

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

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,277,591	\$ 3,830,830
Investments	12,515,665	12,402,460
Accounts receivable, net	5,891,144	5,623,597
Inventories	2,377,787	2,131,725
Interest receivable	48,194	54,765
Intergovernmental receivables	<u>2,041,767</u>	<u>2,659,342</u>
TOTAL CURRENT ASSETS	27,152,148	26,702,719
RESTRICTED ASSETS		
Cash and cash equivalents	10,859,095	11,649,098
Investments	2,212,969	2,185,711
Interest receivable	<u>18,450</u>	<u>22,604</u>
TOTAL RESTRICTED ASSETS	13,090,514	13,857,413
NON-CURRENT ASSETS		
Capital assets		
Land and improvements	1,977,371	1,890,903
Buildings and equipment	10,425,075	9,758,711
Electric plant	48,557,570	46,944,812
Water plant	18,741,762	17,973,783
Sewer plant	<u>28,021,674</u>	<u>27,810,545</u>
	107,723,452	104,378,754
Less accumulated depreciation	<u>77,037,683</u>	<u>75,066,684</u>
Net capital assets	30,685,769	29,312,070
Deferred debt expense, net	<u>73,896</u>	<u>78,285</u>
TOTAL NON-CURRENT ASSETS	<u>30,759,665</u>	<u>29,390,355</u>
	<u>\$71,002,327</u>	<u>\$69,950,487</u>

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

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,539,985	\$ 1,599,142
Intergovernmental payable	<u>55,597</u>	<u>61,723</u>
TOTAL CURRENT LIABILITIES	1,595,582	1,660,865
LIABILITIES, PAYABLE FROM RESTRICTED ASSETS		
Bond interest payable	62,107	63,531
Bond payable, current	410,000	405,000
Accounts payable	<u>58,674</u>	<u>78,741</u>
TOTAL LIABILITIES, PAYABLE FROM RESTRICTED ASSETS	530,781	547,272
NON-CURRENT LIABILITIES		
Customer deposits	1,177,907	1,166,439
Bond payable, non-current	9,020,000	9,430,000
Unamortized bond discount, net	<u>(89,385)</u>	<u>(94,695)</u>
TOTAL NON-CURRENT LIABILITIES	<u>10,108,522</u>	<u>10,501,744</u>
TOTAL LIABILITIES	12,234,885	12,709,881
NET ASSETS		
Invested in capital assets, net of related debt	30,685,769	29,312,070
Restricted for capital projects	10,859,095	11,649,098
Unrestricted	<u>17,222,578</u>	<u>16,279,438</u>
TOTAL NET ASSETS	<u>58,767,442</u>	<u>57,240,606</u>
	<u>\$71,002,327</u>	<u>\$69,950,487</u>

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

	<u>2012</u>	<u>2011</u>
OPERATING REVENUE		
Charges for services		
Electric	\$28,382,574	\$28,231,176
Water	1,617,817	1,486,240
Sewer	1,535,163	1,524,582
Other	<u>84,100</u>	<u>325,936</u>
	31,619,654	31,567,934
OPERATING EXPENSES		
Purchase power for resale	15,240,430	15,847,134
Transmission charges	1,670,236	1,575,877
General and administrative	6,151,332	6,881,184
Maintenance, operations, and contracted services	3,280,368	2,921,504
Payment in lieu of taxes	1,547,317	1,562,169
Depreciation	<u>1,970,999</u>	<u>2,177,750</u>
	<u>29,860,682</u>	<u>30,965,618</u>
OPERATING INCOME	1,758,972	602,316
NON-OPERATING REVENUE (EXPENSES)		
Investment income	157,327	251,651
Interest on bonds	(379,763)	(387,771)
Amortization	<u>(9,700)</u>	<u>(9,700)</u>
	<u>(232,136)</u>	<u>(145,820)</u>
INCREASE IN NET ASSETS	1,526,836	456,496
NET ASSETS AT BEGINNING OF YEAR	<u>57,240,606</u>	<u>56,784,110</u>
NET ASSETS AT END OF YEAR	<u>\$58,767,442</u>	<u>\$57,240,606</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
STATEMENTS OF CASH FLOWS
For the Years Ended December 31

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$31,363,575	\$30,889,226
Payments to suppliers for goods and services	(24,753,427)	(25,847,567)
Payments to employees	<u>(3,461,542)</u>	<u>(3,508,885)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,148,606	1,532,774
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	<u>611,449</u>	<u>271,382</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	611,449	271,382
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(3,344,698)	(2,565,954)
Principal paid on bonds	(405,000)	(395,000)
Interest paid on bonds	<u>(381,187)</u>	<u>(389,088)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(4,130,885)	(3,350,042)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	168,051	317,678
Sales (purchases) of investments	<u>(140,463)</u>	<u>1,420,230</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>27,588</u>	<u>1,737,908</u>
NET INCREASE (DECREASE) IN CASH	(343,242)	192,022
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>15,479,928</u>	<u>15,287,906</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$15,136,686</u>	<u>\$15,479,928</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

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 1,758,972	\$ 602,316
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,970,999	2,177,750
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(267,547)	(675,131)
(Increase) decrease in inventories	(246,062)	(240,288)
Increase (decrease) in accounts payable	(79,224)	(328,296)
Increase (decrease) in customer deposits	<u>11,468</u>	<u>(3,577)</u>
Total adjustments	<u>1,389,634</u>	<u>930,458</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 3,148,606</u>	 <u>\$ 1,532,774</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

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 43% 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.

Private-sector accounting standards are established by the Financial Accounting Standards Board ("FASB"). FASB standards issued on or before November 30, 1989, are generally followed for the financial statements to the extent those standards do not conflict with or contradict GASB pronouncements. In accordance with GASB Statement No. 20, paragraph 7, governments have the option to apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements. The Department has elected to apply subsequent FASB standards.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Department's financial statements are reported using the economic resource management 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 and \$500,000 on December 31, 2012, and December 31, 2011, respectively.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories

Inventories consist of materials and supplies for the following:

	<u>2012</u>	<u>2011</u>
Electric Department	\$ 645,194	\$ 617,787
Water Department	61,426	48,356
Sewer Department	4,556	5,996
Gas and Oil	53,649	52,678
Independence - Coal Stockpile	672,520	531,681
Independence - Materials and supplies	138,748	136,073
White Bluff - Coal Stockpile	582,160	557,791
White Bluff - Materials and supplies	<u>219,534</u>	<u>181,363</u>
Total	<u>\$2,377,787</u>	<u>\$2,131,725</u>

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

Property, Plant and Equipment

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

Equity for proprietary fund financial statements is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net assets - consists of net assets with constraints placed on the use either by (a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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 revenues, operating expenses, non-operating revenue and non-operating expenses.

Operating revenues 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, 2012 and 2011, was an estimate for these unbilled services totaling \$1,465,192 and \$1,446,661, respectively.

Deferred Debt Expense

Cost associated with issuing the Series 2009 revenue bond has been deferred and is being amortized using the straight-line method over the life of the bond.

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

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, 2012, and June 27, 2013, 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

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 \$11,416,934 and \$10,657,653 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, 2012 and 2011, cash and short-term investments are listed below:

	<u>2012</u>		<u>2011</u>	
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>
CASH	\$10,859,095	\$ 4,277,591	\$11,649,073	\$ 3,830,830
INVESTMENTS:				
Certificates of Deposit	<u>2,212,969</u>	<u>12,515,665</u>	<u>2,185,711</u>	<u>12,402,460</u>
	<u>\$13,072,064</u>	<u>\$16,793,256</u>	<u>\$13,834,784</u>	<u>\$16,233,290</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, 2012 and 2011, none of the Department's bank balances of \$21,171,234 and \$20,107,776, 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

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.

The balance of the Revenue Bonds Payable for 2012 and 2011 was \$9,430,000 and \$9,835,000, respectively. The current portion was \$410,000 and \$405,000, respectively, and the long term portion was \$9,020,000 and \$9,430,000, respectively.

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. The bond discount of \$106,200 is being amortized over the life of the bond. The amortization of the bond discount for 2012 and 2011 is \$6,195, for each year.

Future maturities on long-term debt are as follows:

2013	\$ 410,000
2014	425,000
2015	435,000
2016	450,000
2017	465,000
Thereafter	<u>7,245,000</u>
	<u>\$9,430,000</u>

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

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

The principal purpose of the intergovernmental balances is to account for the portion of the sales tax and other income the City has received which is allocated for the West Memphis Municipal Airport (the "Airport"), and to account for expenditures, including sales tax on Airport sales the Airport has incurred that will be reimbursed to the Utility Department. At December 31, 2012, the Airport has a receivable from the City General Fund for the Airport's portion of the sales tax the City had received in the amount of \$17,761 and the Airport owed the Utility Department \$36,459 for expenditures. At December 31, 2011, the Airport had a receivable from the City General Fund for the Airport's portion of the sales tax and insurance reimbursements in the amount of \$34,038 and the Airport owed the Utility Department \$59,280 for expenditures. All interfund balances are expected to be paid within one year.

NOTE H - RELATED PARTY TRANSACTIONS

The Department purchases office supplies from Delta Office Supply, a company owned by the City Treasurer. The Department purchased \$9,933 and \$5,342 for the years ended December 31, 2012 and 2011, respectively.

NOTE I - 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 J - 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.

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

NOTE J - PENSION PLAN - CONTINUED

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 \$179,626 and \$196,263 for the years ended December 31, 2012 and 2011, respectively.

NOTE K - MAJOR VENDORS

Purchases for the year ended December 31, 2012 and 2011, include purchases from two major vendors.

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Purchases from:				
Vendor A	\$8,900,877	58.40%	\$8,107,866	46.54%
Vendor B	6,339,553	41.60%	7,739,268	44.42%
Accounts Payable:				
Vendor A	\$461,746	29.98%	458,696	28.68%
Vendor B	657,331	42.68%	709,914	44.39%

SUPPLEMENTARY INFORMATION

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
PROPERTY, PLANT AND EQUIPMENT
December 31, 2012

	COST			
	Balance January 1, 2012	Additions and Transfers	Disposals and Transfers	Balance December 31, 2012
UTILITY, PLANT IN SERVICE				
Electric	\$ 25,068,908	\$1,414,076	\$ -	\$ 26,482,984
Generating plants				
White Bluff	11,311,474	105,459	-	11,416,933
Independence	<u>10,564,430</u>	<u>93,223</u>	-	<u>10,657,653</u>
	46,944,812	1,612,758	-	48,557,570
Water	17,973,783	767,979	-	18,741,762
Sewer	<u>27,810,545</u>	<u>211,129</u>	-	<u>28,021,674</u>
	92,729,140	2,591,866	-	95,321,006
OTHER PROPERTY, PLANT AND EQUIPMENT				
Land	418,341	-	-	418,341
Buildings	869,294	169,175	-	1,038,469
Building improvements	1,472,562	86,468	-	1,559,030
Furniture and fixtures	551,622	23,179	-	574,801
Transportation equipment	4,898,417	368,058	-	5,266,475
Miscellaneous equipment	<u>3,439,378</u>	<u>105,952</u>	-	<u>3,545,330</u>
	11,649,614	752,832	-	12,402,446
CONTRIBUTION IN AID OF CONSTRUCTION				
	-	-	-	-
	<u>\$104,378,754</u>	<u>\$3,344,698</u>	<u>\$ -</u>	<u>\$107,723,452</u>

ACCUMULATED DEPRECIATION

Balance January 1, 2012	Current Provision	Other Additions	Balance December 31, 2012
\$13,382,022	\$ 559,077	\$ -	\$13,941,099
9,801,619	75,104	-	9,876,723
<u>9,355,526</u>	<u>86,082</u>	-	<u>9,441,608</u>
32,539,167	720,263	-	33,259,430
10,324,114	283,693	-	10,607,807
<u>19,286,854</u>	<u>468,222</u>	-	<u>19,755,076</u>
62,150,135	1,472,178	-	63,622,313
-	-	-	-
347,660	20,650	-	368,310
624,950	38,075	-	663,025
320,909	39,465	-	360,374
3,773,205	261,958	-	4,035,163
<u>2,882,740</u>	<u>138,672</u>	-	<u>3,021,412</u>
7,949,464	498,820	-	8,448,284
<u>4,967,086</u>	<u>-</u>	-	<u>4,967,086</u>
<u>\$75,066,685</u>	<u>\$1,970,998</u>	<u>\$ -</u>	<u>\$77,037,683</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

	Electric Sales (KWH)		Number of Metered	
	<u>In Thousands</u>		<u>Customers</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Residential	148,582	156,518	10,362	10,429
Commercial & industrial	214,221	206,395	1,569	1,551
Public authority	<u>14,263</u>	<u>14,284</u>	<u>129</u>	<u>128</u>
	<u>377,066</u>	<u>377,197</u>	<u>12,060</u>	<u>12,108</u>

	Water Sale		Number of Metered	
	<u>(Thousand of Gallons)</u>		<u>Customers</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Residential	788,975	795,742	8,395	8,558
Commercial & industrial	704,169	699,190	1,053	1,051
Public authority	<u>37,647</u>	<u>31,543</u>	<u>33</u>	<u>33</u>
	<u>1,530,791</u>	<u>1,526,475</u>	<u>9,481</u>	<u>9,642</u>