

West Memphis Municipal Airport

FINANCIAL REPORT

December 31, 2007

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INDEPENDENT AUDITORS' REPORT

To the West Memphis Municipal Airport Commission
West Memphis, Arkansas

We have audited the accompanying statements of financial position, statements of activities, statements of retained earnings, and statements of cash flows of the West Memphis Municipal Airport, of the City of West Memphis, Arkansas, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the West Memphis Municipal Airport Commission. 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 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the West Memphis Municipal Airport 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 similar trust fund types, in conformity with generally accepted accounting principles. The Airport does not provide for depreciation on its property and equipment.

In our opinion, except for not providing for depreciation on property and equipment, the financial statements referred to above present fairly, in all material respects, the financial position of the West Memphis Municipal Airport, as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2009, on our consideration of the West Memphis Municipal Airport of the City of West Memphis, Arkansas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, and is not a required part of the financial statements of the West Memphis Municipal Airport of the City of West Memphis, Arkansas. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

West Memphis, Arkansas
June 12, 2009

Jackson, Howell & Associates, PLLC

West Memphis Municipal Airport
STATEMENTS OF FINANCIAL POSITION
December 31

ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Restricted		
Cash and cash equivalents	\$ 418,343	\$ 411,759
Interest receivable	<u>366</u>	<u>1,195</u>
	<u>418,709</u>	<u>412,954</u>
Unrestricted:		
Cash - operating account	154,581	54,751
Receivables:		
FAA	664,202	265,531
State of Arkansas	124,771	117,388
Intergovernmental	34,996	-
Other	43,982	95,694
Inventory	61,432	47,751
Prepaid expenses	<u>11,582</u>	<u>11,582</u>
	<u>1,095,546</u>	<u>592,697</u>
TOTAL CURRENT ASSETS	1,514,255	1,005,651
LAND, BUILDINGS AND EQUIPMENT		
Land	1,721,600	1,721,600
Buildings and improvements	19,683,809	17,422,907
Vehicles and equipment	<u>406,277</u>	<u>406,277</u>
	<u>21,811,686</u>	<u>19,550,784</u>
OTHER ASSETS		
Deferred debt expense (net of accumulated amortization)	-	49,757
Goodwill (net of accumulated amortization)	<u>-</u>	<u>74,678</u>
	<u>-</u>	<u>124,435</u>
	<u>\$23,325,941</u>	<u>\$20,680,870</u>

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

LIABILITIES AND EQUITY

	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES		
Restricted:		
Interest payable on bonds	\$ 18,213	\$ 23,386
	<u>18,213</u>	<u>23,386</u>
Unrestricted:		
Accounts payable	35,031	376,442
Payable, intergovernmental	65,952	96,118
Current maturities of long-term debt	<u>91,077</u>	<u>175,755</u>
	<u>192,060</u>	<u>648,315</u>
TOTAL CURRENT LIABILITIES	<u>210,273</u>	<u>671,701</u>
LONG-TERM DEBT (net of current maturities)		
Bonds payable	2,505,000	2,400,000
Note payable – City utility	241,142	250,523
Other note payable	<u>37,873</u>	<u>44,011</u>
	<u>2,784,015</u>	<u>2,694,534</u>
EQUITY		
Contributed capital	18,816,205	15,757,977
Retained earnings:		
Unreserved	1,097,104	1,144,898
Reserved per revenue bond ordinance for:		
Current and future debt service	367,490	387,191
Airport depreciation	<u>50,854</u>	<u>24,569</u>
	<u>1,515,448</u>	<u>1,556,658</u>
TOTAL EQUITY	<u>20,331,653</u>	<u>17,314,635</u>
	<u>\$23,325,941</u>	<u>\$20,680,870</u>

**West Memphis Municipal Airport
STATEMENTS OF ACTIVITIES
December 31**

	<u>2007</u>	<u>2006</u>
OPERATING REVENUE		
Sales	\$1,497,622	\$1,224,030
Rentals	381,436	386,109
Sales tax revenue	<u>110,046</u>	<u>106,864</u>
	1,989,104	1,717,003
OPERATING EXPENSES		
Fuel and oil	1,209,493	973,309
Salaries	226,965	224,835
Payroll taxes	16,661	16,561
Maintenance and repairs	70,891	80,659
Professional fees	21,050	10,568
Utilities	18,302	14,934
Insurance	49,427	48,264
Communications	5,887	7,335
Rental – equipment and land	335	3,132
Office expense	4,466	3,860
Supplies	5,073	3,406
Pension	9,928	11,193
Other	<u>303,813</u>	<u>34,592</u>
	<u>1,942,291</u>	<u>1,432,648</u>
OPERATING INCOME	46,813	284,355
NON-OPERATING INCOME (EXPENSES)		
Interest	7,248	14,203
Interest on bonds	(95,255)	(141,785)
Interest – other	(15)	(8,762)
Amortization of deferred debt expense	-	(6,051)
Amortization of intangible asset	-	(12,987)
	<u>(88,022)</u>	<u>(155,382)</u>
NET INCOME	<u>\$ (41,209)</u>	<u>\$ 128,973</u>

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

West Memphis Municipal Airport
STATEMENTS OF RETAINED EARNINGS
For the Years Ended December 31, 2007 and 2006

	<u>Unreserved</u>	<u>Reserved</u>	<u>Total</u>
Balance, December 31, 2005	\$1,088,711	\$ 338,973	\$1,427,684
Net income	128,973	-	128,973
Transfers	<u>(72,786)</u>	<u>72,786</u>	<u>-</u>
Balance, December 31, 2006	1,144,898	411,759	1,556,657
Net loss	(41,209)	-	(41,209)
Transfers	<u>(6,585)</u>	<u>6,585</u>	<u>-</u>
Balance, December 31, 2007	<u>\$1,097,104</u>	<u>\$ 418,344</u>	<u>\$1,515,448</u>

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

West Memphis Municipal Airport
STATEMENTS OF CASH FLOWS
For the Years Ended December 31

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ (41,209)	\$ 128,973
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	124,436	19,038
Change in assets and liabilities:		
(Increase) decrease in receivables	(388,509)	(296,683)
Increase (decrease) in interest payable	(5,173)	(490)
(Increase) decrease in inventory	(13,681)	(13,252)
Increase (decrease) in accounts payable	<u>(371,579)</u>	<u>371,617</u>
Total adjustments	<u>(654,506)</u>	<u>80,230</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(695,715)</u>	<u>209,203</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	<u>(2,260,902)</u>	<u>(2,660,754)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,260,902)</u>	<u>(2,660,754)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in long-term debt, net	4,803	(75,444)
Contributed capital	<u>3,058,228</u>	<u>2,574,357</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>3,063,031</u>	<u>2,498,913</u>
NET INCREASE IN CASH	106,414	47,362
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>466,510</u>	<u>419,148</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 572,924</u>	<u>\$ 466,510</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW DATA		
Cash paid during the year for interest	<u>\$ 100,932</u>	<u>\$ 151,037</u>

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

West Memphis Municipal Airport
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The West Memphis Municipal Airport (the "Airport") is a part of the City of West Memphis. The West Memphis Municipal Airport Commission consists of five members appointed by the Mayor and elected by the City Council. The Commission has full and complete authority to manage, operate, improve, extend and maintain the Municipal Airport and its related properties and facilities. The operations of the Airport include sales of fuel and rental of hangers for airplanes.

Basis of Accounting

The Airport follows the accrual basis of accounting.

Depreciation

The Airport does not provide for depreciation of its assets, which is not in accordance with accounting principles generally accepted in the United States of America.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost. Expenditures for maintenance and repairs are expensed when incurred. Additions, major improvements and replacements are capitalized.

Cash Equivalents

The Airport considers all securities purchased with a maturity date of three months or less to be the equivalent of cash.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - RESTRICTED ASSETS

Restricted assets represent amounts required to be maintained by the Bond Ordinance for debt service, debt service reserve, and a depreciation fund.

West Memphis Municipal Airport
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C - LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2007</u>	<u>2006</u>
<p>Airport revenue bonds. The bonds are subject to redemption prior to maturity in inverse order of maturities beginning in 2005. Principal payments are due annually in increasing amounts over 14 years. Interest is payable semiannually. The bonds have various interest rates ranging from 4.90% to 5.90%. The bonds are special obligations of the airport and the City of West Memphis and are payable from and secured by a pledge of revenues of the airport remaining after payment of necessary and ordinary operating and maintenance costs.*</p>	\$ -	\$2,560,000
<p>Airport revenue bonds. The bonds are subject to redemption prior to maturity in inverse order of maturities beginning in 2008. Principal payments are due annually in increasing amounts over 20 years. Interest is payable semiannually. The bonds have various interest rates ranging from 3.80% to 4.45%. The bonds are special obligations of the airport and the City of West Memphis and are payable from and secured by a pledge of revenues of the airport remaining after payment of necessary and ordinary operating and maintenance costs.</p>	2,580,000	-
<p>Note payable to West Memphis Utility Commission payable in monthly installments of \$1500. Interest rate is 3.5% beginning in August, 2005. Maturity date is January, 2027.</p>	250,523	259,582
<p>Non interest bearing note payable in monthly installments of \$558.00, final payment due October, 2013, secured by equipment and improvements.</p>	<u>44,569</u> 2,875,092	<u>50,707</u> 2,870,289
<p>Less current portion</p>	<u>91,077</u>	<u>175,755</u>
	<u>\$2,784,015</u>	<u>\$2,694,534</u>

* This bond was refinanced in April, 2007.

West Memphis Municipal Airport
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C - LONG-TERM DEBT - CONTINUED

Principal payments on long-term debt are as follows:

<u>Year Ending</u>	<u>Amount</u>
2008	\$ 91,077
2009	106,411
2010	111,756
2011	112,114
2012	117,485
Thereafter	<u>2,336,249</u>
	<u>\$2,875,092</u>

NOTE D - TERMINATION OF LEASES

In prior years the West Memphis Airport Commission (Lessor) had entered into leases with West Memphis Jet Center, Inc. (Lessee) for the rental of various hangers at the West Memphis Airport. Effective September 1, 1997 the lessor and lessee entered into an agreement to cancel all the leases then in existence. In consideration of the lessee's surrender of all its rights in the leases in and to the premises, the lessor agreed to pay the lessee as follows:

Cash	\$125,000
Assumption of debt	65,804
Forgiveness of unpaid rent	<u>4,347</u>
	<u>\$195,151</u>

This cost is classified as an intangible cost which is being amortized over fifteen years.

NOTE E - 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 an amount from 2% or more of their salaries. Participants vest in employer's contribution at a rate of 20% per year. Eligibility commences one year from date of employment.

Employees have the option to invest 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 Airport was \$9,928 and \$11,193 for 2007 and 2006 respectively.

West Memphis Municipal Airport
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE F - GENERAL FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	<u>Balance</u> <u>12/31/06</u>	<u>Addition</u>	<u>Deduction</u>	<u>Balance</u> <u>12/31/07</u>
Land	\$ 1,721,600	\$ -	\$ -	\$ 1,721,600
Buildings	4,053,905	-	-	4,053,905
Improvements	13,369,002	2,260,902	-	15,629,904
Vehicles and equipment	<u>406,277</u>	<u>-</u>	<u>-</u>	<u>406,277</u>
	<u>\$19,550,784</u>	<u>\$2,260,902</u>	<u>\$ -</u>	<u>\$21,811,686</u>

SUPPLEMENTARY INFORMATION

West Memphis Municipal Airport
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2007

<u>Federal Grantor/Pass through Grantor/ Disbursements/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Transportation <u>Federal Aviation Administration</u>		
Airport Improvement Program	20.106	<u>\$2,260,902</u>
		<u>\$2,260,902</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the West Memphis Municipal Airport and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the West Memphis Municipal Airport Commission
West Memphis, Arkansas

Compliance

We have audited the compliance of the West Memphis Municipal Airport of the City of West Memphis, Arkansas, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. West Memphis Municipal Airport of the City of West Memphis, Arkansas' major federal programs are identified in the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the West Memphis Airport's management. Our responsibility is to express an opinion on the West Memphis Municipal Airport of the City of West Memphis, Arkansas' compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the OMB Circular A-133, *Audits of State, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the West Memphis Municipal Airport of the City of West Memphis, Arkansas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of the West Memphis Municipal Airport of the City of West Memphis, Arkansas' compliance with those requirements.

In our opinion, the West Memphis Municipal Airport of the City of West Memphis, Arkansas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006.

Internal Control Over Compliance

The management of the West Memphis Municipal Airport of the City of West Memphis, Arkansas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered the West Memphis Municipal Airport of the City of West Memphis, Arkansas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the West Memphis Airport Commission, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

West Memphis, Arkansas
June 12, 2009

Jackson, Howell & Associates, PLLC

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the West Memphis Municipal Airport Commission
West Memphis, Arkansas

We have audited the financial statements of the West Memphis Municipal Airport of the City of West Memphis, Arkansas, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 12, 2009. We conducted our audits 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 audits, we considered the West Memphis Municipal Airport of the City of West Memphis, Arkansas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the West Memphis Municipal Airport of the City of West Memphis, Arkansas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non compliance 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the West Memphis Municipal Airport Commission, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

West Memphis, Arkansas
June 12, 2009

Jackson, Howell & Associates, PLLC

West Memphis Municipal Airport
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007

Section I - Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of West Memphis Municipal Airport.
2. No reportable conditions in the Report on Compliance and on Internal Control Over Financial Reporting were disclosed by the audits.
3. No instances of noncompliance material to the financial statements of the West Memphis Municipal Airport were disclosed during the audits.
4. No reportable conditions in internal control over major programs were disclosed by the audits.
5. The auditors' report on Compliance for the Major Federal Award Programs for the West Memphis Municipal Airport expresses an unqualified opinion on the report.
6. There were no audits findings relative to the Major Federal Award Programs for the West Memphis Municipal Airport.
7. The program tested as major was CFDA #20.106 - Airport Improvement Program.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. The West Memphis Municipal Airport qualified as a low-risk auditee.

Section II - Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with GAGAS.

Section III - Federal Award Program Findings and Questioned Costs

Reportable Conditions:
None

Prior year findings and questioned costs:
None

June 12, 2009