

City of West Memphis, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2007

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF WEST MEMPHIS, ARKANSAS
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Senate Co-Chair
Rep. Johnny Hoyt
House Co-Chair
Sen. Bill Pritchard
Senate Co-Vice Chair
Rep. Beverly Pyle
House Co-Vice Chair

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, 2007, 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, 2007, 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 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 Utility and Airport Funds to be presented as part of the other funds in the aggregate, thus increasing the column's assets, liabilities, receipts, and disbursements. The amount by which this departure would affect the assets, liabilities, receipts, and disbursements 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, 2007, 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, 2007, 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 January 15, 2009, 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 Schedules 1 and 2 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 listed in the table of contents as Schedule 3 is required by the regulatory basis of presentation and is presented for the purpose of additional analysis. We have not applied auditing procedures to this information and, accordingly, we express no opinion on the Schedule of Capital Assets.

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas
January 15, 2009
LOM109407

Sen. Bobby L. Glover
Senate Co-Chair
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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, 2007, and have issued our report thereon dated January 15, 2009. We issued an adverse opinion because the City prepared the financial statements using accounting principles 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(B and C), our opinion on the other funds in the aggregate was adverse because of the effects on the financial statements of not including the 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 of West Memphis' internal control over financial reporting as a basis of 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 of West Memphis' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Memphis' internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting as prescribed or permitted by Arkansas Code such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

- 2007-1 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. Except for the Mayor, 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.

2007-1 (Continued)

The **City Clerk, District Court Clerk, Treasurer and Police Chief** 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.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above as item 2007-1 to be a material weakness.

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.

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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 2007:

Mayor: William Johnson
Treasurer: Frank Martin
City Clerk: Phillip Para
District Court Clerk: Terri 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 **Treasurer, 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 **Mayor**.

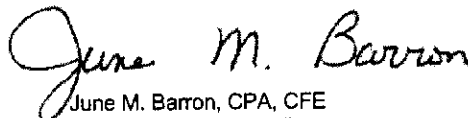
MAYOR

City disbursements totaling \$8,165 were paid to the following seven employees without the Council adopting an ordinance authorizing these employees to conduct business with the City as Ark. Code Ann. § 14-42-107 requires.

<u>Position</u>	<u>Service Provided</u>	<u>Amounts Paid</u>
Clerical	Catering	\$ 90
Tourism Director	Laundry	205
Fireman	Painting	1,135
Policeman	Court bailiff	4,070
Policeman	Court bailiff	860
Policeman	Court bailiff	1,465
Policeman	Court bailiff	340
Total Amount Paid		<u>\$ 8,165</u>

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 Arkansas Code Annotated § 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 initial "J".

June M. Barron, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
January 15, 2009

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CITY OF WEST MEMPHIS, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 DECEMBER 31, 2007

	General	Street	Other Funds In The Aggregate
ASSETS			
Cash and cash equivalents	\$ 2,530,686	\$ 1,575,008	\$ 6,476,530
Investments			9,077,716
TOTAL ASSETS	<u>\$ 2,530,686</u>	<u>\$ 1,575,008</u>	<u>\$ 15,554,246</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll taxes withheld			\$ 9,474
Settlements pending			291,636
Total Liabilities			<u>301,110</u>
Fund Balances:			
Reserved	\$ 219,824	\$ 1,575,008	15,253,136
Unreserved:			
Undesignated	2,310,862		
Total Fund Balances	<u>2,530,686</u>	<u>1,575,008</u>	<u>15,253,136</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,530,686</u>	<u>\$ 1,575,008</u>	<u>\$ 15,554,246</u>

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

CITY OF WEST MEMPHIS, ARKANSAS
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Street	Other Funds In The Aggregate
RECEIPTS			
State aid	\$ 1,002,606	\$ 1,340,325	\$ 280,037
Federal aid	206,538		928,609
Property taxes		63,373	1,056,476
Franchise taxes			35,310
Sales taxes	2,230,870	1,182,276	
Fines, forfeitures and costs	7,456,359		110,947
Interest and dividends	670,401		425,399
Local permits and fees	25,465	73,286	5,369
Sanitation fees	560,542		2,063,580
Southland breakage	415,801		
Southland gaming tax	249,634		
Advertising and promotion tax			
911 Fees	2,381,251		1,257,777
Insurance premiums collected	514,669		129,460
Other			141,418
TOTAL RECEIPTS	<u>15,714,136</u>	<u>2,659,260</u>	<u>6,434,382</u>
DISBURSEMENTS			
Current:			
General government	4,097,652		69,131
Law enforcement	7,355,884		749,100
Highways and streets		2,859,302	335,140
Public safety	4,269,357		951,718
Sanitation			2,377,619

CITY OF WEST MEMPHIS, ARKANSAS
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Street	Other Funds In The Aggregate
DISBURSEMENTS (Continued)			
Current: (Continued)			
Health	\$ 160,374		\$ 1,661,606
Recreation and culture	544,054		88,475
Social services	539,910		1,938,727
Community development	211,137		8,171,516
Total Current	17,178,368	\$ 2,859,302	8,171,516
Debt Service:			
Bond principal			65,000
Bond interest and other charges	39,074		75,239
Lease principal	9,039		
Lease interest			
TOTAL DISBURSEMENTS	17,226,481	2,859,302	8,311,755
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,512,345)	(200,042)	(1,877,373)
OTHER FINANCING SOURCES (USES)			
Transfers in	277,112	2,451	374,326
Transfers out	(50,000)	(67,318)	(536,571)
Net gain on sale of investments	(178,754)		396,899
Contribution to airport	793,167		
Contribution from utility			
TOTAL OTHER FINANCING SOURCES (USES)	841,525	(64,867)	234,654

CITY OF WEST MEMPHIS, ARKANSAS
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Street	Other Funds In The Aggregate
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	\$ (670,820)	\$ (264,909)	\$ (1,642,719)
FUND BALANCES - JANUARY 1	3,201,506	1,839,917	16,995,855
FUND BALANCES - DECEMBER 31	\$ 2,530,686	\$ 1,575,008	\$ 15,253,136

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

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CITY OF WEST MEMPHIS, ARKANSAS
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
State aid	\$ 935,000	\$ 1,002,606	\$ 67,606	\$ 1,400,000	\$ 1,340,325	\$ (59,675)
Federal aid	250,000	206,538	(43,462)			
Property taxes				80,000	63,373	(16,627)
Franchise taxes	2,256,200	2,230,870	(25,330)			
Sales taxes	7,180,400	7,456,359	275,959	1,332,000	1,182,276	(149,724)
Fines, forfeitures and costs	670,000	670,401	401			
Interest and dividends	30,175	25,465	(4,710)	55,000	73,286	18,286
Local permits and fees	590,500	560,542	(29,958)			
Southland breakage	435,000	415,801	(19,199)			
Southland gaming tax	360,000	249,634	(110,366)			
Insurance premiums collected		2,381,251	2,381,251			
Other	431,305	514,669	83,364			
TOTAL RECEIPTS	13,138,580	15,714,136	2,575,556	2,867,000	2,659,260	(207,740)
DISBURSEMENTS						
Current:						
General government	1,958,085	4,097,652	(2,139,567)			
Law enforcement	7,482,430	7,355,884	126,546			
Highways and streets				3,567,989	2,859,302	708,687
Public safety	4,098,095	4,269,357	(171,262)			
Health	171,000	160,374	10,626			
Recreation and culture	579,214	544,054	35,160			
Social services	511,154	539,910	(28,756)			
Community development	288,000	211,137	76,863			
Total Current	15,087,978	17,178,368	(2,090,390)	3,567,989	2,859,302	708,687

CITY OF WEST MEMPHIS, ARKANSAS
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	General		Variance Favorable (Unfavorable)	Street		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
DISBURSEMENTS (Continued)						
Debt Service:						
Lease principal		\$ 39,074	\$ (39,074)			
Lease interest		9,039	(9,039)			
TOTAL DISBURSEMENTS	\$ 15,087,978	17,226,481	(2,138,503)	\$ 3,567,989	\$ 2,859,302	\$ 708,687
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,949,398)	(1,512,345)	437,053	(700,989)	(200,042)	500,947
OTHER FINANCING SOURCES (USES)						
Transfers in	600,000	277,112	(322,888)		2,451	2,451
Transfers out		(50,000)	(50,000)		(67,318)	(67,318)
Contribution to airport	(111,000)	(178,754)	(67,754)			
Contribution from utility	728,232	793,167	64,935			
TOTAL OTHER FINANCING SOURCES (USES)	1,217,232	841,525	(375,707)		(64,867)	(64,867)
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(732,166)	(670,820)	61,346	(700,989)	(264,909)	436,080
FUND BALANCES - JANUARY 1	3,201,506	3,201,506		1,839,917	1,839,917	
FUND BALANCES - DECEMBER 31	\$ 2,469,340	\$ 2,530,686	\$ 61,346	\$ 1,138,928	\$ 1,575,008	\$ 436,080

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

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1: Summary of Significant Accounting Policies

As discussed further in Note 1(B and C), these financial statements are presented in accordance with the regulatory basis of presentation and accounting as prescribed or permitted by Arkansas Code. This regulatory basis of presentation and accounting differs from accounting principles generally accepted in the United States of America.

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: Utility and Airport.

B. Basis of Presentation – Regulatory Fund Accounting

The accounting system is organized and operated on a fund basis. 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. Arkansas Code 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 (receipts), expenditures (disbursements), and changes in fund equity (balances); a comparison of the final adopted budget to the actual expenditures for the general fund and street fund; notes to the financial statements; and a supplemental schedule of capital assets.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

General Fund - The General Fund is the general 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 and Employee Self Insured Benefits (Insurance).

Street Fund - The Street Fund is used to account for the proceeds of specific receipt sources that are legally restricted to disbursements 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 receipt sources that are legally restricted to disbursements 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 Funds, 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 General Park Fund is reported with other funds in the aggregate.

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

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory Fund Accounting (Continued)

Other Funds in the Aggregate (Continued)

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.

C. Basis of Accounting

The financial statements are presented using a regulatory basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments, payroll taxes withheld, and settlements pending. This regulatory basis differs from accounting principles generally accepted in the United States of America.

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable, interfund receivables, and capital assets) and their related receipts and certain liabilities (such as accounts payable, interfund payables, and long-term debt) and their related disbursements 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.

Liabilities

For the purpose of financial reporting, liabilities include payroll taxes withheld but not yet paid and settlements pending. Settlements pending are considered fines, forfeitures, costs and various miscellaneous payroll withholdings.

Fund Balance

1. Reserved Fund Balance indicates that portion of fund balance, which has been legally segregated for specific purposes.
2. Undesignated Fund Balance indicates that portion of fund balance, which is available for budgeting in future periods.

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.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1: Summary of Significant Accounting Policies (Continued)

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 disbursements 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.

The budgeted receipts and disbursements 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 (except for the Employee Self Insured Benefits (Insurance) account), 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 Fund

(1) Policemen's Pension

State law provides that if the total assets of the policemen's pension trust fund are less than one hundred thousand dollars (\$100,000), the funds may be deposited or invested as noted below. If the total assets of the fund exceed one hundred thousand dollars (\$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 one hundred thousand dollars (\$100,000), the funds may be deposited or invested as noted below. If the total assets of the fund exceed one hundred thousand dollars (\$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.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 3: Legal or Contractual Provisions for Deposits and Investments (Continued)

B. Pension Trust Fund (Continued)

(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, 2007	
	Reported Amount	Fair Value
Pension Trust	\$ 9,077,716	\$ 9,670,274

These investments are composed of the following:

	December 31, 2007	
	Reported Amount	Fair Value
GNMAs	\$ 181	\$ 181
Equities	5,021,788	5,643,300
Mutual Funds	2,373,534	2,306,181
Preferred Securities	7,128	10,093
Corporate Bonds	660,374	652,025
US Government Securities	1,014,711	1,058,494
Totals	\$ 9,077,716	\$ 9,670,274

NOTE 5: Legal Debt Limit

A. Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to twenty percent (20%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2007, the legal debt limit for the bonded debt was \$51,107,462. 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 five percent (5%) of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2007, the legal debt limit for short-term financing obligations was \$13,115,445. The amount of short-term financing obligations was \$173,601 leaving a legal debt margin of \$12,941,844.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6: Federal Funds Program Compliance

The Federal Fund awards of the City of West Memphis are currently being audited in accordance with federal program requirements and therefore, any instances of noncompliance with federal grant requirements have not been determined.

Disbursements that are not in accordance with the federal program requirements are subject to reimbursement by the City.

NOTE 7: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2007
<u>General</u>	
Delta Regional Authority Grant	\$ 100,034
Employee Self Insured Benefits	75,459
Judicial Fine Enhancement	38,505
Law Enforcement	5,826
Total General	\$ 219,824
<u>Street</u>	\$ 1,575,008
<u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
Sanitation	\$ 465,885
Library	1,050,453
Advertising and Promotion	639,090
Narcotics	578,948
Park Commission	94,367
Auditorium	52,892
Community Development	77,013
Emergency 911	227,290
Metropolitan Planning Organization	14,343
Special Funds	300,874
Federal Grant Program	3,267
District Judge's and Clerk's Retirement Cost	12,606
Total Special Revenue	3,517,028
Capital Projects Fund - General Park	319,474
Debt Service Fund - Park Bond	33,279

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 7: Reserved Fund Balance (Continued)

	December 31, 2007
<u>Other Funds in the Aggregate (Continued)</u>	
Trust Funds:	
Firemen's Pension	\$ 6,762,141
Policemen's Pension	4,621,214
Total Trust	11,383,355
Total Other Funds in the Aggregate	\$ 15,253,136

NOTE 8: Commitments

Total commitments consist of the following at December 31, 2007:

	December 31, 2007
Long-term debt	\$ 1,858,539
Construction contracts	272,274
Total Commitments	\$ 2,130,813

Long-Term Debt

Long-Term Debt at December 31, 2007 is comprised of the following:

	December 31, 2007
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.	\$ 1,680,000
Note payable to Fidelity National Bank dated June 1, 2006, 4.250% interest to purchase a 2005 Pierce fire truck, annual installments of \$48,113, beginning June 1, 2007. Payments are to be made from the General Fund.	173,601
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.	4,938
Total Long-Term Debt	\$ 1,858,539

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, 2007

NOTE 8: Commitments (Continued)

Compensated Absences

Compensated absences do vest or accumulate. The amount of compensated absences was not determined.

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2007:

Years Ending December 31,	Bonds	Notes	Total
2008	\$ 135,879	\$ 48,113	\$ 183,992
2009	138,330	48,113	186,443
2010	135,670	48,113	183,783
2011	137,878	48,113	185,991
2012	134,953		134,953
2013 through 2017	674,484		674,484
2018 through 2022	672,169		672,169
2023 through 2025	401,305		401,305
Total Obligations	2,430,668	192,452	2,623,120
Less Interest	750,668	18,851	769,519
Total Principal	<u>\$ 1,680,000</u>	<u>\$ 173,601</u>	<u>\$ 1,853,601</u>

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2007:

Project Name	Completion Date	Contract Balance December 31, 2007
Park improvements	April 2008	\$ 80,619
Street overlay and rich road widening	June 2008	45,722
Airport improvements	June 2008	47,656
Police firing range	June 2008	98,277
Total		<u>\$ 272,274</u>

NOTE 9: Interfund Transfers

The Advertising and Promotion Fund transferred \$259,763 to the General Fund to defray costs for Memphis Area Transit Authority bus system. The Narcotics Fund transferred \$17,349 to the General Fund to reimburse law enforcement expenses. The General Fund transferred \$50,000 to the Firemen's Pension Fund to cover pension payments. The Library Fund transferred \$2,451, \$4,923, and \$4,923 to the Street Fund, Firemen's Pension Fund and Policeman's Pension Fund, respectively, for 2006 property taxes. The Capital Projects Fund transferred \$117,281 to the Debt Service Fund to cover bond payments. The Advertising and Promotion Fund transferred \$129,881 to the Capital Projects Fund for capital expenditures. The Street Fund transferred \$67,318 to the Metropolitan Planning Organization Fund for city portion of matching funds for street improvements.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 10: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements, if any, has not exceeded the insurance coverage for each of the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Workers' Compensation - This program provides statutory benefits for losses incurred by municipal officials, employees and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

Municipal Vehicle Program

- A. **Liability** - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is \$25,000 for bodily injury or death per person, \$50,000 for bodily injury or death per accident and \$25,000 for property damage per accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and mobile equipment owned or leased by the City.
- B. **Physical Damage** - This program covers vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$1,000 per occurrence. The City agrees to pay into the program each year a service charge established annually by the program administrator for covered property.

Municipal Property Program- This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$5,000, or in the case of flood or earthquake, \$100,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

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 percent 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.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 11: Firemen's Pension and Relief Plan

Plan Description

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

Contributions

Active participants of the plan are required to make contributions of not less than six percent (6%) of their salary to the plan. Active volunteer firemen are required to make contributions of twelve dollars (\$12) per year. The City is required by state law to contribute an amount equal to but not less than six percent (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.

Deferred Retirement Option Plan

The local firemen's pension and relief board of trustees approved the participation in the Arkansas Fire Fighter's Deferred Retirement Option Plan (DROP). Any full-paid fire fighter who is a member of the firemen's pension and relief fund who has at least twenty (20) years of credited service and who is eligible to receive a service retirement pension may elect to participate in the plan. The duration of participation shall not exceed five (5) years.

When a member begins participation in the DROP, the contribution of the fire fighter and the employer contribution shall continue to be paid. Municipal matching contributions for employees who elect the DROP shall be credited equally to the firemen's pension and relief fund and to the deferred retirement plan. The monthly retirement benefits that would have been due had the member elected to cease employment and receive a service retirement shall be paid into the DROP account.

At the end of the five years, the participant has certain options regarding the method of payment.

At the conclusion of the member's participation, the member shall terminate employment with all participating municipalities as a fire fighter and start receiving the member's accrued monthly retirement benefit from the firemen's pension and relief fund.

NOTE 12: Policemen's Pension and Relief Plan

Plan Description

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

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 12: Policemen's Pension and Relief Plan (Continued)

Contributions

Active participants of the plan are required to make contributions of six percent (6%) of their salary to the plan, provided that such monthly deduction shall be four percent (4%) for policemen contributing to the social security system unless increased, but not to exceed six percent (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 six percent (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 ten percent (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 13: 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
- B. Paid service also covered by Social Security: no employee contribution
- 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 14: 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. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 14: Arkansas Public Employees Retirement System (Continued)

Funding Policy

PERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation.

NOTE 15: 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 16: 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 17: 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 2007 was \$794,657. The City also charges the Department 5% of utility sales in lieu of franchise taxes. The amount paid by the Department in 2007 was \$1,559,504.
- B. As a convenience to customers, the Utility Department includes the fees of city-provided garbage collection in its monthly customer billings. These fees are remitted to the Sanitation Fund monthly.
- C. The City purchased supplies totaling \$31,950 from Delta Office Supply during the year which is owned and operated by the Treasurer Frank Martin. These transactions are authorized by Ordinance No. 1362.

NOTE 18: 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 (5%) of the employees' base salary. The City's contributions (and interest allocated to the employees' account) are vested at a rate of ten percent (10%) per year until fully vested after ten (10) 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 19: Employee Self Insured Benefits

The City participates in an Employee Self Insured Benefit plan that was administered by Greatwest Healthcare Insurance Company until July 2007. The plan is now 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, 2007, the balance in this account was \$75,459 and is reflected in the financial statements as part of the General Fund's Reserved fund balance. Claims paid during 2007 from the account totaled \$2,374,136.

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2007

		SPECIAL REVENUE FUNDS								
		Sanitation	Library	Advertising and Promotion	Narcotics	Park Commission	Auditorium	Community Development	Emergency 911	Metropolitan Planning Organization
ASSETS										
Cash and cash equivalents		\$ 465,885	\$ 1,050,453	\$ 639,090	\$ 578,948	\$ 94,367	\$ 52,892	\$ 77,013	\$ 227,290	\$ 14,343
Investments										
TOTAL ASSETS		\$ 465,885	\$ 1,050,453	\$ 639,090	\$ 578,948	\$ 94,367	\$ 52,892	\$ 77,013	\$ 227,290	\$ 14,343
LIABILITIES AND FUND BALANCES										
Liabilities:										
Payroll taxes withheld										
Settlements pending										
Total Liabilities										
Fund Balances:										
Reserved		\$ 465,885	\$ 1,050,453	\$ 639,090	\$ 578,948	\$ 94,367	\$ 52,892	\$ 77,013	\$ 227,290	\$ 14,343
TOTAL LIABILITIES AND FUND BALANCES		\$ 465,885	\$ 1,050,453	\$ 639,090	\$ 578,948	\$ 94,367	\$ 52,892	\$ 77,013	\$ 227,290	\$ 14,343

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2007

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBIT SERVICE FUND	TRUST FUNDS	
	Special Funds	Federal Grant Programs	District Judge's and Clerk's Retirement Cost			Firemen's Pension	Policemen's Pension
ASSETS							
Cash and cash equivalents	\$ 300,874	\$ 3,267	\$ 12,606	\$ 319,474	\$ 33,279	\$ 611,982	\$ 1,693,657
Investments						6,150,159	2,927,557
TOTAL ASSETS	<u>\$ 300,874</u>	<u>\$ 3,267</u>	<u>\$ 12,606</u>	<u>\$ 319,474</u>	<u>\$ 33,279</u>	<u>\$ 6,762,141</u>	<u>\$ 4,621,214</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Payroll taxes withheld							
Settlements pending							
Total Liabilities							
Fund Balances:							
Reserved	\$ 300,874	\$ 3,267	\$ 12,606	\$ 319,474	\$ 33,279	\$ 6,762,141	\$ 4,621,214
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 300,874</u>	<u>\$ 3,267</u>	<u>\$ 12,606</u>	<u>\$ 319,474</u>	<u>\$ 33,279</u>	<u>\$ 6,762,141</u>	<u>\$ 4,621,214</u>

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2007

	AGENCY FUNDS					
	District Court	Payroll	Police Confiscation	Administration of Justice	Totals	
ASSETS						
Cash and cash equivalents	\$ 118,642	\$ 133,531	\$ 47,252	\$ 1,685	\$ 6,476,530	
Investments					9,077,716	
TOTAL ASSETS	<u>\$ 118,642</u>	<u>\$ 133,531</u>	<u>\$ 47,252</u>	<u>\$ 1,685</u>	<u>\$ 15,554,246</u>	
LIABILITIES AND FUND BALANCES						
Liabilities:						
Payroll taxes withheld		\$ 9,474			\$ 9,474	
Settlements pending	\$ 118,642	124,057	\$ 47,252	\$ 1,685	291,636	
Total Liabilities	<u>118,642</u>	<u>133,531</u>	<u>47,252</u>	<u>1,685</u>	<u>301,110</u>	
Fund Balances:						
Reserved	\$ 118,642	\$ 133,531	\$ 47,252	\$ 1,685	15,253,136	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 118,642</u>	<u>\$ 133,531</u>	<u>\$ 47,252</u>	<u>\$ 1,685</u>	<u>\$ 15,554,246</u>	

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	SPECIAL REVENUE FUNDS								
	Sanitation	Library	Advertising and Promotion	Narcotics	Park Commission	Auditorium	Community Development	Emergency 911	Metropolitan Planning Organization
RECEIPTS									
State aid		\$ 46,547					\$ 562,778		\$ 254,430
Federal aid		801,894						\$ 35,310	
Property taxes									
Franchise taxes									
Fines, forfeitures and costs			\$ 19,142	\$ 23,337					
Interest and dividends	\$ 3,621	13,613	\$ 17,468	\$ 202	\$ 256			760	
Local permits and fees		5,369							
Sanitation fees	2,063,580		1,257,777						
Advertising and promotion tax 911 fees								129,460	
Other	2,100	5,006	38,518		21,122	22,878			18,183
TOTAL RECEIPTS	2,069,301	872,429	1,315,437	40,805	21,324	23,134	562,778	165,530	272,613
DISBURSEMENTS									
Current:									
General government									
Law enforcement									
Highways and streets				15,612					335,140
Public safety									
Sanitation	2,377,619	383,998			11,667	15,259		49,313	
Recreation and culture									
Social services									
Community development			1,450,676				488,051		
Total Current	2,377,619	383,998	1,450,676	15,612	11,667	15,259	488,051	49,313	335,140
Debt Service:									
Bond principal									
Bond interest and other charges									
TOTAL DISBURSEMENTS	2,377,619	383,998	1,450,676	15,612	11,667	15,259	488,051	49,313	335,140

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	SPECIAL REVENUE FUNDS									
	Sanitation	Library	Advertising and Promotion	Narcotics	Park Commission	Auditorium	Community Development	Emergency 911	Metropolitan Planning Organization	
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (308,318)	\$ 488,431	\$ (135,239)	\$ 25,193	\$ 9,657	\$ 7,875	\$ 74,727	\$ 116,217	\$ (62,527)	
OTHER FINANCING SOURCES (USES)										67,318
Transfers in										
Transfers out		(12,297)	(389,644)	(17,349)						
Net gain on sale of investments		(12,297)	(389,644)	(17,349)						67,318
TOTAL OTHER FINANCING SOURCES (USES)										
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(308,318)	476,134	(524,863)	7,844	9,657	7,875	74,727	116,217	4,791	
FUND BALANCES - JANUARY 1	774,203	574,319	1,163,973	571,104	84,710	45,017	2,286	111,073	9,552	
FUND BALANCES - DECEMBER 31	\$ 465,885	\$ 1,050,453	\$ 639,090	\$ 578,948	\$ 94,367	\$ 52,892	\$ 77,013	\$ 227,290	\$ 14,343	

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND		DEBT SERVICE FUND		TRUST FUNDS			Totals
	Special Funds	Federal Grant Programs	District Judge's and Clerk's Retirement Cost	General Park	Park Bond	Firemen's Pension	Policemen's Pension	Firemen's Pension	Policemen's Pension		
RECEIPTS											
State aid	\$ 58,428	\$ 52,973				\$ 96,684	\$ 136,806	\$ 96,684	\$ 136,806	\$ 280,037	
Federal aid										928,609	
Property taxes	13,957		\$ 13,096			127,291	127,291	127,291	127,291	1,056,476	
Franchise taxes	1,534		34							35,310	
Fines, forfeitures and costs										110,947	
Interest and dividends										425,399	
Local permits and fees							\$ 2,111			5,369	
Sanitation fees										2,063,580	
Advertising and promotion tax	7,302									1,257,777	
911 fees										129,460	
Other										141,418	
TOTAL RECEIPTS	81,221	52,973	13,130		2,111	438,779	502,817	438,779	502,817	6,434,382	
DISBURSEMENTS											
Current:											
General government	69,131									69,131	
Law enforcement	100,059	19,171	27,809							749,100	
Highways and streets										335,140	
Public safety	90,700							811,705		951,718	
Sanitation										2,377,619	
Recreation and culture	57,822	30,653		\$ 1,250,682						1,661,606	
Social services										88,475	
Community development										1,938,727	
Total Current	317,712	49,824	27,809	1,250,682	140,239	811,705	586,449	811,705	586,449	8,171,516	
Debt Service:											
Bond principal					65,000					65,000	
Bond interest and other charges					75,239					75,239	
TOTAL DISBURSEMENTS	317,712	49,824	27,809	1,250,682	140,239	811,705	586,449	811,705	586,449	8,311,755	

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUND		DEBT SERVICE FUND		TRUST FUNDS		
	Special Funds	Federal Grant Programs	District, Judge's and Clerk's Retirement Cost	General Park	Park Bond	Firemen's Pension	Policemen's Pension	Totals	
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (236,491)	\$ 3,149	\$ (14,679)	\$ (1,250,682)	\$ (138,128)	\$ (372,926)	\$ (83,632)	\$ (1,877,373)	
OTHER FINANCING SOURCES (USES)									
Transfers in				129,881	117,281	54,923	4,923	374,326	
Transfers out				(117,281)				(536,571)	
Net gain on sale of investments						395,691	1,208	396,899	
TOTAL OTHER FINANCING SOURCES (USES)				12,600	117,281	450,614	6,131	234,854	
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(236,491)	3,149	(14,679)	(1,238,082)	(20,847)	77,688	(77,501)	(1,642,719)	
FUND BALANCES - JANUARY 1	537,365	118	27,285	1,557,556	54,126	6,684,453	4,698,715	16,895,855	
FUND BALANCES - DECEMBER 31	<u>\$ 300,874</u>	<u>\$ 3,267</u>	<u>\$ 12,606</u>	<u>\$ 319,474</u>	<u>\$ 33,279</u>	<u>\$ 6,762,141</u>	<u>\$ 4,621,214</u>	<u>\$ 15,253,136</u>	

CITY OF WEST MEMPHIS, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2007

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

Fund Name	Fund Description
Sanitation	City Ordinance No. 441 established fund to receive all revenues derived from the operation of the Sanitation Department.
Library	City Ordinance No. 314 as amended by City Ordinance No. 368 established the public library.
Advertising and Promotion	City Ordinance No. 917 established this fund to receive 1% tax levy on the gross receipts of hotel and/or motel, restaurants, cafes 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	City Ordinance No. 134 established fund to operate and maintain city recreational parks.
Auditorium	City Ordinance No. 815 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 Funds	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.
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 this fund for the sole purpose of paying the retirement benefits of district judges.
General Park	City Ordinance No. 2146 established this fund to accumulate pledged Advertising and Promotion Tax and pay the related expenses to construct and improve city parks.
Park Bond	City Ordinance No. 2146 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 tumbback 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 tumbback and other revenues allowed by law for support of police retirement programs.

CITY OF WEST MEMPHIS, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2007

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

Fund Name	Fund Description
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures and costs collected by the District Court.
Payroll	This fund established 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, 2007
(Unaudited)

Schedule 3

	<u>December 31, 2007</u>
Land	\$ 2,519,412
Buildings	6,045,530
Equipment	<u>6,984,102</u>
Total	<u>\$ 15,549,044</u>