

City of West Memphis, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2008

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF WEST MEMPHIS, ARKANSAS
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Sen. Bobby L. Glover
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, 2008, 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, 2008, 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, revenues, and expenditures. The amount by which this departure would affect the assets, liabilities, revenues, and expenditures of the other funds in the aggregate column is not reasonably determinable. The City's regulatory basis financial statements also do not disclose all the required information concerning deposit and investment risks, which should be included in order to conform with the regulatory basis of accounting described in Note 1(C).

In our opinion, because of the effects on the financial statements of the omissions described in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective regulatory basis financial position of the other funds in the aggregate of the City of West Memphis, Arkansas, as of December 31, 2008, 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, 2008, 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 February 23, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements of the City of West Memphis, Arkansas. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of West Memphis, Arkansas. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, because of the effects on the financial information in the supporting schedules of the omissions described above, such information is not presented fairly in all material respects in relation to the financial statements taken as a whole. The supplementary information in the Schedule of Capital Assets required by the regulatory basis of presentation and the Schedule of Selected Information for the Last Five Years as listed in the table of contents as Schedules 3 and 4 are presented for the purpose of additional analysis. We have not applied auditing procedures to this information and, accordingly, we express no opinion on these schedules.

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas
February 23, 2010
LOM109408

Sen. Bobby L. Glover
Senate Co-Chair
Rep. Johnny Hoyt
House Co-Chair
Sen. Bill Pritchard
Senate Co-Vice Chair
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Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

City of West Memphis, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of West Memphis, Arkansas, as of and for the year ended December 31, 2008 and have issued our report thereon dated February 23, 2010. We issued an adverse opinion because the City prepared the financial statements using accounting practices prescribed or permitted by Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the basis of accounting described in Note 1(C), our opinion on the other funds in the aggregate was adverse because of the effects on the financial statements of not including the 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 for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 City'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 deficiencies to be significant deficiencies in internal control over financial reporting:

2008-1 To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions should be distributed among appropriate employees. The City officials, as specified in the Other Issues section of this report, did not segregate these duties to sufficiently reduce the risks of fraud or error and properly safeguard the City's assets, because of limited financial resources. We recommend that the financial accounting duties in each office be segregated among employees to the extent possible.

The City officials, as specified in the Other Issues section of this report, responded and indicated that their offices will segregate the duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions to the extent possible with the current staffing levels.

2008-2 Arkansas Code requires City management to maintain financial records. The City's financial records contained numerous posting, classification, and omission errors.

Other Funds in the Aggregate contained misstatements in assets of \$2,810, in revenues of \$970,764, and in expenditures of \$314,994, due to posting errors, unrecorded transactions, and classification errors. The appropriate adjustments have been made by City management. Adjusting journal entries, supporting documentation, and financial transactions should be reviewed by proper supervisory personnel to avoid erroneous or invalid entries to the financial records.

We recommend procedures be implemented to ensure that all assets, revenues and expenditures are properly accounted for and recorded.

The Treasurer/Finance Director responded that every effort will be made to ensure that correct entries and postings are made to the accounting records and the appropriate entries to the financial records are approved.

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, of the significant deficiencies described above, we consider items 2008-1 and 2008-2 to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Internal Control over Financial Reporting section as item 2008-2.

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 2008:

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

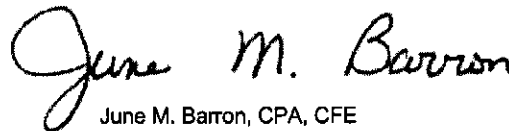
Treasurer

We performed audit procedures on the information systems in the Data Center and on the Finance application for the period June 9, 2009 through July 22, 2009. The following information systems weaknesses were noted:

1. Controls over physical keys to the data center were not adequate, potentially allowing unauthorized access to system resources.
2. The off-site backup file storage facility was not adequately secure and was not sufficient distance from the primary facility to reduce the likelihood of a single disaster affecting both the primary facility and the off-site backup file storage facility.
3. The City of West Memphis Emergency Operations Plan did not sufficiently address recovery of computerized data processing operations and the plan had not been tested. This situation could hamper the City's ability to recover from a disaster.
4. Vulnerabilities were identified on the City's internal network and remote administration software. These conditions increase the likelihood of unauthorized system access.
5. The City did not maintain a formal security policy which outlines access needs for each user, or user group, of the system and appropriately assigns access to those users or user groups; user credentials were shared among employees; and user credentials were passed from former employees to new hires based on job role. These conditions prevent accurate logging of user actions within the system and increase the likelihood of unauthorized system access.
6. Personnel with the ability to update program logic also had the ability to update production data. This access to both program logic and application data files violates industry standards and affords the opportunity to process and conceal unauthorized transactions.

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



June M. Barron, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
February 23, 2010

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CITY OF WEST MEMPHIS, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 DECEMBER 31, 2008

Exhibit A

	General	Street	Other Funds In The Aggregate
ASSETS			
Cash and cash equivalents	\$ 2,233,365	\$ 3,101,956	\$ 5,994,725
Investments			8,569,668
Accounts receivable	1,656,816	98,109	357,430
Interfund receivables	138,613	1,908,309	76,172
TOTAL ASSETS	\$ 4,028,794	\$ 5,108,374	\$ 14,997,995
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 240,985	\$ 7,214	\$ 405,723
Interfund payables	1,717,922		405,172
Settlements pending			170,820
Total Liabilities	1,958,907	7,214	981,715
Fund Balances:			
Reserved (Note 9)	772,051	5,101,160	14,016,280
Unreserved:			
Undesignated	1,297,836		
Total Fund Balances	2,069,887	5,101,160	14,016,280
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,028,794	\$ 5,108,374	\$ 14,997,995

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

CITY OF WEST MEMPHIS, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Street	Other Funds In The Aggregate
REVENUES			
State aid	\$ 451,369	\$ 1,268,085	\$ 764,730
Federal aid	285,561	135,271	1,063,474
Property taxes		137,949	1,024,967
Franchise taxes	2,301,275		
Sales taxes	7,129,459	1,326,761	176,901
Fines, forfeitures and costs	527,519		83,339
Interest	14,138		449,440
Local permits and fees	999,935	56,938	6,513
Sanitation fees			2,341,055
Advertising and Promotion tax			1,200,166
911 Fees			171,311
Southland breakage	350,174		
Southland gaming tax	323,743		
Insurance premiums collected	1,562,987		
Other	719,071	167	128,531
TOTAL REVENUES	14,665,231	2,925,171	7,410,427
EXPENDITURES			
Current:			
General government	3,672,112		559,091
Law enforcement	6,949,637		850,223
Highways and streets		2,229,491	315,111
Public safety	4,162,459		977,764
Sanitation			2,062,639
Health	160,373		
Recreation and culture	580,395		458,476
Social services	572,643		33,668
Community Development	252,674		1,229,488
Total Current	16,350,293	2,229,491	6,486,460

CITY OF WEST MEMPHIS, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Street	Other Funds In The Aggregate
EXPENDITURES (Continued)			
Debt Service:			
Bond principal			\$ 65,000
Bond interest and other charges	42,264		70,879
Note principal	7,507		
Note interest			
TOTAL EXPENDITURES	16,400,064	\$ 2,229,491	6,622,339
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,734,833)	695,680	788,088
OTHER FINANCING SOURCES (USES)			
Transfers in	551,826		365,890
Transfers out	(20,000)	(42,709)	(855,007)
Contribution to water department	(110,565)		
Contribution from water department	820,381		73,400
Contribution from West Memphis School District			(931,924)
Net loss on sale of investments			
Loan proceeds	200,000		
TOTAL OTHER FINANCING SOURCES (USES)	1,441,642	(42,709)	(1,347,641)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(293,191)	652,971	(559,553)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	2,530,686	1,575,008	15,253,136
Restatement adjustment	(167,608)	2,873,181	(677,303)
FUND BALANCES - JANUARY 1, AS RESTATED	2,363,078	4,448,189	14,575,833
FUND BALANCES - DECEMBER 31	\$ 2,069,887	\$ 5,101,160	\$ 14,016,280

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

CITY OF WEST MEMPHIS, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 830,000	\$ 451,369	\$ (378,631)	\$ 1,400,000	\$ 1,268,085	\$ (131,915)
Federal aid	250,000	285,561	35,561	135,271	135,271	
Property taxes				80,000	137,949	57,949
Franchise taxes	2,375,000	2,301,275	(73,725)	1,350,000	1,326,761	(23,239)
Sales taxes	7,443,000	7,129,459	(313,541)			
Fines, forfeitures and costs	700,000	527,519	(172,481)			
Interest	22,000	14,138	(7,862)	55,000	56,938	1,938
Local permits and fees	1,008,000	999,935	(8,065)			
Southland breakage	400,000	350,174	(49,826)			
Southland gaming tax	313,000	323,743	10,743			
Insurance premiums collected		1,562,987	1,562,987			
Other	548,903	719,071	170,168		167	167
TOTAL REVENUES	13,889,903	14,665,231	775,328	3,020,271	2,925,171	(95,100)
EXPENDITURES						
Current:						
General government	2,148,934	3,672,112	(1,523,178)			
Law enforcement	7,632,076	6,949,637	682,439	2,848,114	2,229,491	618,623
Highways and streets						
Public safety	4,435,587	4,162,459	273,128			
Sanitation						
Health	171,000	160,373	10,627			
Recreation and culture	620,909	580,395	40,514			
Social services	498,654	572,643	(73,989)			
Community Development	263,000	252,674	10,326			
Total Current	15,770,160	16,350,293	(580,133)	2,848,114	2,229,491	618,623

CITY OF WEST MEMPHIS, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)						
Debt Service:						
Note principal		\$ 42,264	\$ (42,264)			
Note interest		7,507	(7,507)			
TOTAL EXPENDITURES	\$ 15,770,160	16,400,064	(629,904)	\$ 2,848,114	\$ 2,229,491	\$ 618,623
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,880,257)	(1,734,833)	145,424	172,157	695,680	523,523
OTHER FINANCING SOURCES (USES)						
Transfers in	876,000	551,826	(324,174)		(42,709)	(42,709)
Transfers out		(20,000)	(20,000)			
Contribution to water department		(110,565)	(110,565)			
Contribution from water department	827,257	820,381	(6,876)			
Loan proceeds		200,000	200,000			
TOTAL OTHER FINANCING SOURCES (USES)	1,703,257	1,441,642	(261,615)		(42,709)	(42,709)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(177,000)	(293,191)	(116,191)	172,157	652,971	480,814
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED		2,530,686	2,530,686		1,575,008	1,575,008
Restatement adjustment		(167,608)	(167,608)		2,873,181	2,873,181
FUND BALANCES - JANUARY 1, AS RESTATED		2,363,078	2,363,078		4,448,189	4,448,189
FUND BALANCES - DECEMBER 31	\$ (177,000)	\$ 2,069,887	\$ 2,246,887	\$ 172,157	\$ 5,101,160	\$ 4,929,003

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

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CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of West Memphis was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. The following funds of the City are not presented in this report: Utility and Airport.

B. Basis of Presentation – Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Arkansas Code. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general and street fund; notes to financial statements; and a supplemental schedule of capital assets.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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

General Fund - The General Fund is the primary operating fund and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund heading as it appears in the financial statements includes the following accounts: General, Accounts Payable, Delta Regional Authority Grant, Judicial Fine Enhancement, Federal Programs/Grants (EMS), and Employee Self Insured Benefits (Insurance).

Street Fund - The Street Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for maintaining and constructing highways and streets.

Other Funds in the Aggregate - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds are included in this column as follows:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following Special Revenue Funds are reported with other funds in the aggregate: Sanitation, Library, Advertising and Promotion, Narcotics, Park Commission, Auditorium, Community Development, Emergency 911, Metropolitan Planning Organization, Special, Federal Grant Programs, and District Judge's and Clerk's Retirement Cost.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The 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.

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the entity in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and other funds. The following Trust and Agency funds are reported with other funds in the aggregate: Firemen's Pension, Policemen's Pension, District Court, Police Confiscation, Payroll, and Administration of Justice.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Arkansas Code. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty (60) days of the end of the current period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements.

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit.

Investments

Investments are reported at cost.

Settlements Pending

Settlements pending are considered fines, forfeitures, and costs that have not been transferred to the appropriate entities.

Fund Balance

1. Reserved Fund Balance indicates that portion of fund balance that is not appropriable for expenditure or is legally segregated for a specific future use.
2. Undesignated Fund Balance indicates that portion of fund balance not reserved or designated.

E. Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 10. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

F. Budget Law

State law requires that these procedures be followed in establishing the budgetary data:

- a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by action of the City Council.
- d. Appropriations lapse at the end of each year.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budget Law (Continued)

- e. Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund (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 Funds

(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.

(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.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	December 31, 2008	
	Reported Amount	Fair Value
Pension Trust	\$ 8,569,668	\$ 6,850,058

These investments are composed of the following:

	December 31, 2008	
	Reported Amount	Fair Value
Equities	\$ 5,006,404	\$ 3,874,861
Mutual Funds	1,700,291	1,083,862
Preferred Securities	4,845	4,053
Convertible Securities	59,487	40,124
Corporate Bonds	1,078,579	1,054,321
US Government Securities	720,062	792,837
Totals	<u>\$ 8,569,668</u>	<u>\$ 6,850,058</u>

NOTE 5: Accounts Receivable

The accounts receivable balance at December 31, 2008 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	\$ 29,871	\$ 98,109	\$ 5,956
Federal aid	103,184		112,947
Property taxes			85,592
Franchise taxes	218,433		
Sales taxes	691,526		
Southland Breakage	255,059		
Southland Gaming Tax	23,710		
Fines, forfeitures and costs	44,096		
Advertising and Promotion Tax			96,560
911 Fees			30,862
Other	290,937		25,513
Totals	<u>\$ 1,656,816</u>	<u>\$ 98,109</u>	<u>\$ 357,430</u>

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 6: Accounts Payable

The accounts payable balance at December 31, 2008 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 180,311	\$ 4,130	\$ 326,815
Other	60,674	3,084	78,908
Totals	\$ 240,985	\$ 7,214	\$ 405,723

NOTE 7: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2008	
	Interfund Receivables	Interfund Payables
General Fund	\$ 138,613	\$ 1,717,922
Street	1,908,309	
Other Funds in the Aggregate:		
Special Revenue Funds:		
Sanitation		201,135
Library	2,146	31,173
Advertising and Promotion	3,448	76,397
Park Commission	4,040	4,200
Auditorium		1,464
Community Development		8,482
Emergency 911	626	69,220
Metropolitan Planning Organization		13,101
Special	14,438	
Capital Projects Fund - General Park	25,420	
Trust Funds:		
Firemen's Pension	13,027	
Policemen's Pension	13,027	
Total Other Funds in the Aggregate	76,172	405,172
Totals	\$ 2,123,094	\$ 2,123,094

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances are expected to be repaid in 2009 or when funds become available.

NOTE 8: 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, 2008, the legal debt limit for the bonded debt was \$56,072,036. There were no property tax secured bond issues.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 8: Legal Debt Limit (Continued)

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to five percent of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2008, the legal debt limit for short-term financing obligations was \$14,325,436. The amount of short-term financing obligations, was \$331,337 leaving a legal debt margin of \$13,994,099.

NOTE 9: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2008
<u>General</u>	
Delta Regional Authority Grant	\$ 222,519
Employee Self Insured Benefits (Insurance)	97,067
Judicial Fine Enhancement	8,091
Federal Grants/Programs (EMS)	438,682
Law Enforcement	5,692
Total General	\$ 772,051
<u>Street</u>	\$ 5,101,160
<u>Other Funds in the Aggregate</u>	
<u>Special Revenue Funds:</u>	
Sanitation	\$ 393,509
Library	1,038,310
Advertising and Promotion	603,969
Narcotics	337,653
Park Commission	89,548
Auditorium	53,399
Community Development	(4,434)
Emergency 911	(4,996)
Metropolitan Planning Organization	38,053
Special	530,815
Federal Grant Programs	167
District Judge's and Clerk's Retirement Cost	26,141
Total Special Revenue	3,102,134
Capital Projects Fund - General Park	289,819
Debt Service Fund - Park Bond	48,954
<u>Trust Funds:</u>	
Firemen's Pension	5,905,390
Policemen's Pension	4,669,983
Total Trust	10,575,373
Total Other Funds in the Aggregate	\$ 14,016,280

CITY OF WEST MEMPHIS, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008

NOTE 10: Deficit Fund Balances

The following funds have deficit fund balances as of December 31, 2008:

	December 31, 2008
Emergency 911	\$ (4,996)
Community Development	(4,434)

NOTE 11: Commitments

Total commitments consist of the following at December 31, 2008:

	December 31, 2008
Long-Term Debt	\$ 4,151,470

Long-Term Debt

Long-Term Debt at December 31, 2008 is comprised of the following:

	December 31, 2008
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.	\$ 1,615,000
Note Payable to Fidelity National Bank dated June 1, 2006, 4.25% 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.	131,337
Note Payable to Fidelity National Bank dated December 18, 2008, 4.25% interest to purchase police cars, three (3) annual installments of \$72,177, beginning December 15, 2009. Payments are to be made from the General Fund.	200,000
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.	56,969
Compensated Absences	2,148,164
Total Long-Term Debt	\$ 4,151,470

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

Post Employment Benefits Other Than Pensions

The amount of any actuarially determined accrued liability for post employment benefits other than pensions was not determined.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 11: Commitments (Continued)

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2008:

Years Ending December 31,	Bonds	Notes	Total
2009	\$ 138,330	\$ 120,290	\$ 258,620
2010	135,670	120,290	255,960
2011	137,878	120,290	258,168
2012	134,953		134,953
2013	136,850		136,850
2014 through 2018	671,145		671,145
2019 through 2023	673,118		673,118
2024 through 2025	266,845		266,845
Total Obligations	<u>2,294,789</u>	<u>360,870</u>	<u>2,655,659</u>
Less Interest	<u>679,789</u>	<u>29,533</u>	<u>709,322</u>
Total Principal	<u>\$ 1,615,000</u>	<u>\$ 331,337</u>	<u>\$ 1,946,337</u>

NOTE 12: Interfund Transfers

The General Fund transferred \$20,000 to the Other Funds in the Aggregate (Narcotics Fund) for drug enforcement costs. The Street Fund transferred \$42,709 to the Other Funds in the Aggregate (Metropolitan Planning Organization Fund) for the city portion of matching funds for street improvements. The Other Funds in the Aggregate (Advertising and Promotion Fund and Emergency 911 Fund) transferred \$301,826 and \$250,000 to the General Fund to defray costs for Memphis Area Transit Authority bus system and to reimburse for 911 dispatchers for 2007 and 2008, respectively. Within Other Funds in the Aggregate, the Capital Projects Fund transferred \$152,268 to the Debt Service Fund to cover bond payments and the Advertising and Promotion Fund transferred \$150,913 to the Capital Projects Fund for capital expenditures.

NOTE 13: Prior Year Restatement

The January 1, 2008 General Fund and Other Funds in the Aggregate fund balances were decreased by \$167,608 and \$677,303, respectively, to reflect a net adjustment for prior year receivables and payables. The January 1, 2008 Street Fund fund balance was increased by \$2,873,181 to reflect a net adjustment for prior year receivables and payables.

NOTE 14: Risk Management

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

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

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

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 14: Risk Management (Continued)

Municipal Vehicle Program

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

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

Municipal Legal Defense Program - The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages – not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials and employees because of judgment in any one lawsuit for more than 25 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.

NOTE 15: Firemen's Pension and Relief Plan

Plan Description

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

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 15: Firemen's Pension and Relief Plan (Continued)

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.

NOTE 16: Policemen's Pension and Relief Plan

Plan Description

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

Contributions

Active participants of the plan are required to make contributions of 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 17: 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.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

**NOTE 17: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan) (Continued)**

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 18: Arkansas Public Employees Retirement System

Plan Description

The City contributes (as required by State law) for the District Court Judge and District Court Clerk to the Arkansas Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy

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

NOTE 19: Southland Greyhound Park Breakage

Southland Greyhound Park Breakage consists of the City's share of the odd cents or breaks after distribution of each pari-mutuel pool. In accordance with Ark Code Ann. § 23-111-509, breakage is computed as the amount of odd cents remaining in each pari-mutuel 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 20: 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 21: 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 2008 was \$820,381. The City also charges the Department 5% of utility sales in lieu of franchise taxes. The amount paid by the Department in 2008 was \$1,469,229.
- 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.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 22: Nonuniformed Employees Pension Plan (A Defined Contribution Plan)

On January 1, 1977, the City established a defined contribution pension plan for all nonuniformed employees and has contracted with a private insurance carrier who maintains an account for the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The contribution plan requires the City to contribute to the insurance carrier an amount equal to five percent of the employees' base salary. The City's contributions (and interest allocated to the employees' account) are vested at a rate of ten percent per year until fully vested after ten years of service. Eligibility commences one year from date of employment. City contributions for, and interest forfeited by, employees who leave employment before being fully vested are used to reduce the City's future period contribution requirements. Interest earned is credited to each employee's account quarterly. Employees are entitled only to the funds deposited by them and on their behalf.

NOTE 23: Employee Self Insured Benefits

The City participates in an Employee Self-Insured Benefit plan that is administered by CIGNA Healthcare Insurance Company. The City is required to maintain a benefit plan account which will be sufficient at all times to fund plan benefits and plan related expenses. As of December 31, 2008, the balance in this account was \$97,067 and is reflected in the financial statements as part of the General Fund's Reserved Fund Balance. Claims paid during 2008 from the account totaled \$1,541,379.

NOTE 24: Pledged Revenues- Franchise Taxes

The City has pledged future franchise taxes to repay \$1,745,000 in revenue bonds that were issued in 2006 to provide funding for improvement to the City's parks. Total principal and interest remaining on the bonds are \$1,615,000 and \$679,789, respectively, payable through June 1, 2025. For the current year, principal and interest paid were \$65,000 and \$70,879, respectively.

The General Fund received \$2,301,275 in franchise taxes in 2008. Any franchise taxes collected in excess of the debt service payments is permitted to be used for other City expenditures. The City opted to use Advertising and Promotion taxes to cover the debt service payments.

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2008

SPECIAL REVENUE FUNDS

	Sanitation	Library	Advertising and Promotion	Narcotics	Park Commission	Auditorium	Community Development	Emergency 911
ASSETS								
Cash and cash equivalents	\$ 693,813	\$ 981,745	\$ 643,273	\$ 337,653	\$ 89,708	\$ 54,863	\$ 3,174	\$ 112,043
Investments								
Accounts receivable		85,592	96,560				874	30,862
Interfund receivables		2,146	3,448		4,040			626
TOTAL ASSETS	\$ 693,813	\$ 1,069,483	\$ 743,281	\$ 337,653	\$ 93,748	\$ 54,863	\$ 4,048	\$ 143,531
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 99,169		\$ 62,915					\$ 79,307
Interfund payables	201,135	\$ 31,173	76,397		\$ 4,200	\$ 1,464	\$ 8,482	69,220
Settlements pending								
Total Liabilities	300,304	31,173	139,312		4,200	1,464	8,482	148,527
Fund Balances:								
Reserved	393,509	1,038,310	603,969	\$ 337,653	89,548	53,399	(4,434)	(4,996)
TOTAL LIABILITIES AND FUND BALANCES	\$ 693,813	\$ 1,069,483	\$ 743,281	\$ 337,653	\$ 93,748	\$ 54,863	\$ 4,048	\$ 143,531

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2008

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND		DEBT SERVICE FUND		TRUST FUNDS	
	Metropolitan Planning Organization	Special	Federal Grant Programs	Judge's and Clerk's Retirement Cost	General Park	Park Bond	Firemen's Pension	Policemen's Pension	
ASSETS									
Cash and cash equivalents	\$ 47,753	\$ 525,338	\$ 167	\$ 26,141	\$ 264,399	\$ 48,954	\$ 530,583	\$ 1,470,538	
Investments							5,383,250	3,186,418	
Accounts receivable	77,632	41,271							
Interfund receivables		14,438			25,420		13,027	13,027	
TOTAL ASSETS	\$ 125,385	\$ 581,047	\$ 167	\$ 26,141	\$ 289,819	\$ 48,954	\$ 5,926,860	\$ 4,669,983	
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 74,231	\$ 50,232					\$ 21,470		
Interfund payables	13,101								
Settlements pending									
Total Liabilities	87,332	50,232					21,470		
Fund Balances:									
Reserved	38,053	530,815	167	26,141	289,819	48,954	5,905,390	4,669,983	
TOTAL LIABILITIES AND FUND BALANCES	\$ 125,385	\$ 581,047	\$ 167	\$ 26,141	\$ 289,819	\$ 48,954	\$ 5,926,860	\$ 4,669,983	

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2008

AGENCY FUNDS

	District Court	Payroll	Police Confiscation	Administration of Justice	Totals
ASSETS					
Cash and cash equivalents	\$ 126,219	\$ (6,240)	\$ 44,309	\$ 292	\$ 5,994,725
Investments					8,569,668
Accounts receivable		24,639			357,430
Interfund receivables					76,172
TOTAL ASSETS	\$ 126,219	\$ 18,399	\$ 44,309	\$ 292	\$ 14,997,995
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		\$ 18,399			\$ 405,723
Interfund payables					405,172
Settlements pending	126,219		\$ 44,309	\$ 292	170,820
Total Liabilities	126,219	18,399	44,309	292	981,715
Fund Balances:					14,016,280
Reserved					
TOTAL LIABILITIES AND FUND BALANCES	\$ 126,219	\$ 18,399	\$ 44,309	\$ 292	\$ 14,997,995

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	SPECIAL REVENUE FUNDS								
	Sanitation	Library	Advertising and Promotion	Narcotics	Park Commission	Auditorium	Community Development	Emergency 911	Metropolitan Planning Organization
REVENUES									
State aid		\$ 42,536					\$ 598,599		\$ 252,608
Federal aid		470,791							
Property taxes									
Sales taxes									
Fines, forfeitures and costs				\$ 11,011					
Interest			\$ 13,839	7,071	\$ 106	\$ 254		\$ 1,035	
Local permits and fees	\$ 2,909	12,423							
Sanitation fees	2,341,055	6,513							
Advertising and Promotion tax			1,200,166						
911 Fees								171,311	
Other	84	5,445	38,362		13,837	22,957			19,660
TOTAL REVENUES	2,344,048	537,708	1,252,367	18,082	13,943	23,211	598,599	172,346	272,268
EXPENDITURES									
Current:									
General government									
Law enforcement				29,057					315,111
Highways and streets								130,423	
Public safety									
Sanitation	2,062,639	320,745			13,119	22,596			
Recreation and culture									
Social services									
Community Development			736,698				492,790		
Total Current	2,062,639	320,745	736,698	29,057	13,119	22,596	492,790	130,423	315,111
Debt Service:									
Bond principal									
Bond interest and other charges									
TOTAL EXPENDITURES	2,062,639	320,745	736,698	29,057	13,119	22,596	492,790	130,423	315,111

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	SPECIAL REVENUE FUNDS									
	Sanitation	Library	Advertising and Promotion	Narcotics	Park Commission	Auditorium	Community Development	Emergency 911	Metropolitan Planning Organization	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 281,409	\$ 216,963	\$ 515,669	\$ (10,975)	\$ 824	\$ 615	\$ 105,809	\$ 41,923	\$ (42,843)	
OTHER FINANCING SOURCES (USES)				20,000						42,709
Transfers in			(452,739)					(250,000)		
Contribution from West Memphis School District										
Net loss on sale of investments			(452,739)	20,000				(250,000)		42,709
TOTAL OTHER FINANCING SOURCES (USES)										
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	281,409	216,963	62,930	9,025	824	615	105,809	(208,077)	(134)	
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	465,885	1,050,453	639,090	578,948	94,367	52,892	77,013	227,290	14,343	
Restatement adjustment	(353,785)	(229,106)	(98,051)	(250,320)	(5,643)	(108)	(187,256)	(24,209)	23,844	
FUND BALANCES - JANUARY 1, AS RESTATED	112,100	821,347	541,039	328,628	88,724	52,784	(110,243)	203,081	38,187	
FUND BALANCES - DECEMBER 31	\$ 393,509	\$ 1,038,310	\$ 603,969	\$ 337,653	\$ 89,548	\$ 53,399	\$ (4,434)	\$ (4,996)	\$ 38,053	

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	SPECIAL REVENUE FUNDS		District Judge's and Clerk's Retirement Cost	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TRUST FUNDS		Totals
	Special	Federal Grant Programs				Firemen's Pension	Policemen's Pension	
REVENUES								
State aid	\$ 559,681					\$ 98,151	\$ 106,898	\$ 764,730
Federal aid	123,165	\$ 46,566						1,063,474
Property taxes						277,088	277,088	1,024,967
Sales taxes	176,901							176,901
Fines, forfeitures and costs	8,163		\$ 13,513					83,339
Interest	1,552		4		\$ 1,190			449,440
Local permits and fees								6,513
Sanitation fees								2,341,055
Advertising and Promotion tax								1,200,166
911 Fees								171,311
Other	500					17,388	10,298	128,531
TOTAL REVENUES	869,962	46,566	13,517		1,190	667,621	578,999	7,410,427
EXPENDITURES								
Current:								
General government	559,091							559,091
Law enforcement	250,745	15,998	72				554,351	850,223
Highways and streets								315,111
Public safety	11,746					835,595		977,764
Sanitation								2,062,639
Recreation and culture				\$ 100,112	1,904			458,476
Social services		33,668						33,668
Community Development								1,229,488
Total Current	821,582	49,666	72	100,112	1,904	835,595	554,351	6,486,460
Debt Service:								
Bond principal					65,000			65,000
Bond interest and other charges					70,879			70,879
TOTAL EXPENDITURES	821,582	49,666	72	100,112	137,783	835,595	554,351	6,622,339

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	SPECIAL REVENUE FUNDS			District Judge's and Clerk's Retirement Cost	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TRUST FUNDS		Totals
	Special	Federal Grant Programs					Firemen's Pension	Policemen's Pension	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 48,380	\$ (3,100)	\$ 13,445		\$ (100,112)	\$ (136,593)	\$ (167,974)	\$ 24,648	\$ 789,088
OTHER FINANCING SOURCES (USES)									
Transfers in					150,913	152,268			365,890
Transfers out					(152,268)				(855,007)
Contribution from West Memphis School District					73,400				73,400
Net loss on sale of investments							(822,411)	(109,513)	(931,924)
TOTAL OTHER FINANCING SOURCES (USES)					72,045	152,268	(822,411)	(109,513)	(1,347,641)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	48,380	(3,100)	13,445		(28,067)	15,675	(990,385)	(84,865)	(559,553)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	300,874	3,267	12,606		319,474	33,279	6,762,141	4,621,214	15,253,136
Restatement adjustment	181,561		90		(1,588)		133,634	133,634	(677,303)
FUND BALANCES - JANUARY 1, AS RESTATED	482,435	3,267	12,696		317,886	33,279	6,895,775	4,754,948	14,575,833
FUND BALANCES - DECEMBER 31	\$ 530,815	\$ 167	\$ 26,141		\$ 289,819	\$ 48,954	\$ 5,905,390	\$ 4,669,983	\$ 14,016,280

CITY OF WEST MEMPHIS, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2008

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

<u>Fund Name</u>	<u>Fund Description</u>
Sanitation	West Memphis Ordinance no. 441 (September 5, 1963) established fund to receive all revenues derived from the operation of the Sanitation Department.
Library	West Memphis Ordinance no. 314 (February 16, 1956) as amended by West Memphis Ordinance no. 368 (March 5, 1959) established the public library.
Advertising and Promotion	Ark. Code Ann. § 26-75-605 allows the city to levy tax of no more than 3% of gross proceeds from restaurants, cafes, etc. West Memphis Ordinance no. 917 (November 3, 1977) established this fund to receive 1% tax levy on the gross receipts of hotel and/or motel, restaurants, cafés and cafeterias.
Narcotics	Ark. Code Ann. § 5-64-505 established fund to receive monies resulting from the disposition of drug forfeiture cases to be used for law enforcement purposes.
Park Commission	West Memphis Ordinance no. 134 (May 6, 1947) established fund to operate and maintain city recreational parks.
Auditorium	West Memphis Ordinance no. 815 (September 19, 1974) established fund to operate and maintain the municipal auditorium.
Community Development	City established this fund to process the U.S. Department of Housing and Urban Development grants.
Emergency 911	Ark Code Ann § 12-10-318 established fund to receive fees collected by commercial mobile radio service providers for 911 emergency services.
Metropolitan Planning Organization	City established this fund to process federal highway grants received through the Arkansas Highway and Transportation Department.
Special	City established this fund to receive grants for various City departments.
Federal Grant Programs	City established this fund to account for various federal grant awards.

CITY OF WEST MEMPHIS, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2008

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

Fund Name	Fund Description
District Judge's and Clerk's Retirement Cost	Ark Code Ann § 24-8-810 established fund to contribute an amount of money that represents the actuarially determined accrued liability to be paid to the Arkansas Public Employees Retirement System. Excess funds will be retained in the fund for the sole purpose of paying the retirement benefits of district judges.
General Park	West Memphis Ordinance no. 2146 (May 18, 2006) established fund to accumulate pledged revenues and pay the related expenses to construct and improve city parks.
Park Bond	West Memphis Ordinance no. 2146 (May 18, 2006) established fund to pay the principal and interest of bonds authorized by Amendment 62 to the Arkansas Constitution to construct and improve city parks.
Firemen's Pension	Ark. Code Ann. § 24-11-801 established fund to receive millages, state insurance turnback and other revenues allowed by law for support of firefighter retirement programs.
Policemen's Pension	Ark. Code Ann. § 24-11-401 established fund to receive millages, state insurance turnback and other revenues allowed by law for support of police retirement programs.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures and costs collected by the District Court.
Payroll	City established this fund to process the payroll of all the City's employees.
Police Confiscation	Ark Code Ann § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to the arresting agency.
Administration of Justice	Ark. Code Ann. § 16-10-308 established fund to receive the city's share of uniform court cost and filing fees to be used to defray a part of the expenses of the Administration of Justice in the City.

CITY OF WEST MEMPHIS, ARKANSAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2008
(Unaudited)

Schedule 3

	<u>December 31, 2008</u>
Land	\$ 2,519,412
Buildings	6,045,530
Equipment	<u>7,283,360</u>
Total	<u>\$ 15,848,302</u>

CITY OF WEST MEMPHIS, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 DECEMBER 31, 2008
 (Unaudited)

<u>General</u>	2008	2007	2006	2005	2004
Total Assets	\$ 4,028,794	\$ 2,530,686	\$ 3,201,506	\$ 2,694,329	\$ 2,030,558
Total Liabilities	1,958,907				662,483
Total Fund Balances	2,069,887	2,530,686	3,201,506	2,694,329	1,368,075
Total Revenues	14,665,231	15,714,136	12,545,745	12,768,578	11,291,496
Total Expenditures	16,400,064	17,226,481	13,127,873	12,563,471	13,080,916
<u>Street</u>					
Total Assets	\$ 5,108,374	\$ 1,575,008	\$ 1,839,917	\$ 1,747,245	\$ 1,508,879
Total Liabilities	7,214				
Total Fund Balances	5,101,160	1,575,008	1,839,917	1,747,245	1,508,879
Total Revenues	2,925,171	2,659,260	2,685,997	1,989,699	2,435,780
Total Expenditures	2,229,491	2,859,302	2,512,142	2,096,333	2,387,880
<u>Other Funds in the Aggregate</u>					
Total Assets	\$ 14,997,995	\$ 15,554,246	\$ 17,230,855	\$ 14,245,602	\$ 14,422,348
Total Liabilities	981,715	301,110	335,000	296,664	789,428
Total Fund Balances	14,016,280	15,253,136	16,895,855	13,948,938	13,632,920
Total Revenues	7,410,427	6,434,382	6,206,781	6,919,186	5,717,252
Total Expenditures	6,622,339	8,311,755	5,425,027	5,255,688	4,943,476

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

