

West Memphis Municipal Airport

FINANCIAL REPORT

December 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the West Memphis Municipal Airport Commission
West Memphis, Arkansas

We have audited the accompanying statements of net assets of the West Memphis Municipal Airport, of the City of West Memphis, Arkansas, as of December 31, 2010 and 2009 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the West Memphis Municipal Airport Commission. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the West Memphis Municipal Airport and are not intended to represent fairly the financial position of the City of West Memphis, Arkansas, and the results of its operations and the cash flows of its proprietary and similar trust fund types, in conformity with accounting principles generally accepted in the United States of America. Also, as discussed in Note A to the financial statements, the Airport does not provide for depreciation on its property and equipment. Further, the Airport has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, except for not providing for depreciation on property and equipment and the omission of the management's discussion and analysis, the financial statements referred to above present fairly, in all material respects, the financial position of the West Memphis Municipal Airport, as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

West Memphis, Arkansas
June 30, 2011

Jackson, Howell & Associates, PLLC

**West Memphis Municipal Airport
STATEMENTS OF NET ASSETS
December 31**

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Restricted		
Cash and cash equivalents	\$ 635,534	\$ 507,159
Unrestricted:		
Cash	182,941	199,719
Receivables:		
State of Arkansas	-	62,535
Intergovernmental	8,575	14,077
Other	-	9,484
Inventory	64,396	46,358
Prepaid expenses	<u>11,582</u>	<u>11,582</u>
	<u>267,494</u>	<u>343,755</u>
TOTAL CURRENT ASSETS	903,028	850,914
LAND, BUILDINGS AND EQUIPMENT		
Land	1,904,743	1,904,743
Buildings and improvements	20,493,525	20,457,924
Vehicles and equipment	<u>406,993</u>	<u>400,837</u>
	<u>22,805,261</u>	<u>22,763,504</u>
	<u>\$23,708,289</u>	<u>\$23,614,418</u>

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

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES		
Restricted:		
Interest payable on bonds	\$ 16,550	\$ 17,168
Unrestricted:		
Payable, intergovernmental	20,243	8,869
Current maturities of long-term debt	<u>113,614</u>	<u>111,756</u>
	<u>133,857</u>	<u>120,625</u>
TOTAL CURRENT LIABILITIES	150,407	137,793
 LONG-TERM DEBT (net of current maturities)		
Bonds payable	2,225,000	2,320,000
Note payable – City utility	210,948	221,366
Other note payable	<u>11,788</u>	<u>19,042</u>
	2,447,736	2,560,408
 NET ASSETS		
Contributed capital	19,237,829	19,204,007
Net assets:		
Unreserved	1,236,783	1,205,051
Reserved per revenue bond ordinance for:		
Current and future debt service	404,189	341,672
Airport depreciation	<u>231,345</u>	<u>165,487</u>
	<u>635,534</u>	<u>507,159</u>
	<u>1,872,317</u>	<u>1,712,210</u>
TOTAL EQUITY	<u>21,110,146</u>	<u>20,916,217</u>
	<u>\$23,708,289</u>	<u>\$23,614,418</u>

West Memphis Municipal Airport
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
December 31

	<u>2010</u>	<u>2009</u>
OPERATING REVENUE		
Sales	\$1,300,255	\$1,054,064
Rentals	365,083	319,452
Sales tax revenue	<u>107,741</u>	<u>107,107</u>
	1,773,079	1,480,623
 OPERATING EXPENSES		
Fuel and oil	1,020,182	837,213
Salaries	243,225	237,420
Payroll taxes	18,152	17,708
Maintenance and repairs	62,938	124,167
Professional fees	19,300	24,800
Utilities	23,653	17,026
Insurance	50,569	46,441
Communications	5,998	5,864
Rental - equipment	1,576	2,298
Office expense	3,109	3,026
Supplies	2,635	3,090
Pension	12,655	12,821
Other	<u>29,760</u>	<u>21,473</u>
	<u>1,493,752</u>	<u>1,353,347</u>
OPERATING INCOME	279,327	127,276
 NON-OPERATING INCOME (EXPENSES)		
Interest	8,262	8,427
Interest on bonds	(100,535)	(104,145)
Interest - other	<u>(7,947)</u>	<u>(8,285)</u>
	<u>(100,220)</u>	<u>(104,003)</u>
 NET INCOME	179,107	23,273
 NET ASSETS AT BEGINNING OF YEAR	1,205,051	1,117,973
Transfers	(128,375)	63,805
Disposal of equipment (Note F)	<u>(19,000)</u>	<u>-</u>
 NET ASSETS AT END OF YEAR	<u>\$1,236,783</u>	<u>\$1,205,051</u>

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

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

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$1,788,065	\$1,504,844
Payments to suppliers for goods and services	(1,262,073)	(1,128,976)
Payments to employees	<u>(243,225)</u>	<u>(237,420)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>282,767</u>	<u>138,448</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest	8,262	8,427
Capital expenditures	<u>(60,757)</u>	<u>(183,143)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(52,495)</u>	<u>(174,716)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(105,932)	(106,412)
Interest paid on debt	(109,100)	(112,632)
Contributed capital	<u>96,357</u>	<u>185,639</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(118,675)</u>	<u>(33,405)</u>
NET INCREASE (DECREASE) IN CASH	111,597	(69,673)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>706,878</u>	<u>776,551</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 818,475</u>	<u>\$ 706,878</u>

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

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 279,327	\$ 127,276
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in receivables	14,986	24,221
(Increase) decrease in inventory	(18,038)	(18,010)
Increase (decrease) in accounts payable	<u>6,492</u>	<u>4,961</u>
Total adjustments	<u>3,440</u>	<u>11,172</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 282,767</u>	<u>\$ 138,448</u>

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

West Memphis Municipal Airport
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Governmental Accounting Standards

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board ("GASB") is the established and recognized standard-setting body for governmental accounting and financial reporting. The GASB periodically issues new or revised standards that are implemented by the Airport.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Airport's financial statements are reported using the economic resource management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Accounts Receivable

Accounts receivable represents amounts due from customers under normal terms. Receivables arise from fuel sales. The Airport has entered into enforceable construction contracts to provide upgrades to infrastructure. Receivables arising from construction contracts are based on the accrual method.

The Airport does not maintain an allowance for estimated uncollectible accounts. When an account is determined to be uncollectible it is deducted from the accounts receivable and charged to uncollectible fees. All receivables deemed uncollectible at December 31 have been charged to uncollectible fees.

Inventory

Fuel inventory is stated at the lower of cost or market using the first in, first out method (FIFO).

West Memphis Municipal Airport
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Depreciation

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

Land, Buildings and Equipment

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

Cash Equivalents

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Shipping and Handling

The Airport reports shipping and handling fees paid as part of operating expenses.

Events Occurring After Reporting Date

The Airport has evaluated events and transactions that occurred between December 31, 2010 and June 30, 2011, which is the date that financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE B - CONCENTRATIONS OF CREDIT RISK

State law requires collateralization of all deposits with the federal depository insurance and other collateral in specific amounts to cover risk of loss. At December 31, 2010, the deposits of the Airport were sufficiently covered by federal depository insurance and additional pledged securities held by the City's agent in the City's name. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

NOTE C - RESTRICTED ASSETS

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

West Memphis Municipal Airport
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE D - LONG-TERM DEBT

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

	<u>2010</u>	<u>2009</u>
Airport revenue bonds. The bonds are subject to redemption prior to maturity in inverse order of maturities beginning in 2008. Principal payments are due annually in increasing amounts over 20 years. Interest is payable semiannually. The bonds have various interest rates ranging from 3.80% to 4.45%. The bonds are special obligations of the airport and the City of West Memphis and are payable from and secured by a pledge of revenues of the airport remaining after payment of necessary and ordinary operating and maintenance costs.	\$2,320,000	\$2,415,000
Note payable to West Memphis Utility Commission payable in monthly installments of \$1500. Interest rate is 3.5% beginning in August, 2005. Maturity date is January, 2027.	222,866	231,427
Non interest bearing note payable in monthly installments of \$558, final payment due October, 2013, secured by equipment and improvements.	<u>18,484</u> 2,561,350	<u>25,737</u> 2,672,164
Less current portion	<u>113,614</u>	<u>111,756</u>
	<u>\$2,447,736</u>	<u>\$2,560,408</u>

Principal payments on long-term debt are as follows:

<u>Year Ending</u>	<u>Amount</u>
2011	\$ 113,614
2012	117,485
2013	121,264
2014	121,570
2015	126,981
Thereafter	<u>1,960,436</u>
	<u>\$2,561,350</u>

West Memphis Municipal Airport
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE E - PENSION PLAN

On January 1, 1977, the City established a defined contribution pension plan for all non-uniformed employees. The City contributes 6% of each participant's annual salary, and employees can also contribute an amount from 2% or more of their salaries. Participants vest in employer's contribution at a rate of 20% per year. Eligibility commences one year from date of employment.

Employees have the option to invest funds in their account. Employees are entitled only to the funds deposited by them and on their behalf, therefore, there is no unfunded liability.

The amount contributed to the pension plan and expensed by the Airport was \$12,655 and \$12,821 for 2010 and 2009 respectively.

NOTE F - DISPOSAL OF EQUIPMENT

During the year ended December 31, 2010, the Airport disposed of equipment. As noted in the audit opinion, the Airport does not depreciate capitalized assets. If depreciation had been recorded, the equipment would have had a zero basis when disposed. The disposal is shown as an adjustment to net assets.

NOTE G - GENERAL FIXED ASSETS

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

	Balance <u>12/31/09</u>	<u>Addition</u>	<u>Deduction</u>	Balance <u>12/31/10</u>
Land	\$ 1,904,743	\$ -	\$ -	\$ 1,904,743
Buildings	4,053,905	-	-	4,053,905
Improvements	16,404,019	35,601	-	16,439,620
Vehicles and equipment	<u>400,837</u>	<u>25,156</u>	<u>19,000</u>	<u>406,993</u>
	<u>\$22,763,504</u>	<u>\$ 60,757</u>	<u>\$ 19,000</u>	<u>\$22,805,261</u>

	Balance <u>12/31/08</u>	<u>Addition</u>	<u>Deduction</u>	Balance <u>12/31/09</u>
Land	\$ 1,721,600	\$183,143	\$ -	\$ 1,904,743
Buildings	4,053,905	-	-	4,053,905
Improvements	16,404,019	-	-	16,404,019
Vehicles and equipment	<u>400,837</u>	<u>-</u>	<u>-</u>	<u>400,837</u>
	<u>\$22,580,361</u>	<u>\$183,143</u>	<u>\$ -</u>	<u>\$22,763,504</u>