

West Memphis Municipal Airport

FINANCIAL REPORT

December 31, 2009

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INDEPENDENT AUDITORS' REPORT

To the West Memphis Municipal Airport Commission
West Memphis, Arkansas

We have audited the accompanying statements of financial position of the West Memphis Municipal Airport, of the City of West Memphis, Arkansas, as of December 31, 2009 and 2008 and the related statements of activities, statements of retained earnings, and statements of 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.

In our opinion, except for not providing for depreciation on property and equipment, the financial statements referred to above present fairly, in all material respects, the financial position of the West Memphis Municipal Airport, as of December 31, 2009 and 2008, 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
October 25, 2010

Jackson, Howell & Associates, PLLC

**West Memphis Municipal Airport
STATEMENTS OF FINANCIAL POSITION
December 31**

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Restricted		
Cash and cash equivalents	\$ 507,159	\$ 570,964
Interest receivable	<u> -</u>	<u> 367</u>
	507,159	571,331
Unrestricted:		
Cash - operating account	199,719	205,587
Receivables:		
State of Arkansas	62,535	-
Intergovernmental	14,077	12,671
Other	9,484	35,112
Inventory	46,358	28,348
Prepaid expenses	<u>11,582</u>	<u>11,582</u>
	<u>343,755</u>	<u>293,300</u>
TOTAL CURRENT ASSETS	850,914	864,631
 LAND, BUILDINGS AND EQUIPMENT		
Land	1,904,743	1,721,600
Buildings and improvements	20,457,924	20,457,924
Vehicles and equipment	<u>400,837</u>	<u>400,837</u>
	<u>22,763,504</u>	<u>22,580,361</u>
	 <u>\$23,614,418</u>	 <u>\$23,444,992</u>

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

LIABILITIES AND EQUITY

	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Restricted:		
Interest payable on bonds	\$ <u>17,168</u>	\$ <u>17,738</u>
	17,168	17,738
Unrestricted:		
Payable, intergovernmental	8,869	3,908
Current maturities of long-term debt	<u>111,756</u>	<u>106,411</u>
	<u>120,625</u>	<u>110,319</u>
TOTAL CURRENT LIABILITIES	137,793	128,057
 LONG-TERM DEBT (net of current maturities)		
Bonds payable	2,320,000	2,415,000
Note payable – City utility	221,366	231,427
Other note payable	<u>19,042</u>	<u>25,738</u>
	2,560,408	2,672,165
 EQUITY		
Contributed capital	19,204,007	18,955,833
Retained earnings:		
Unreserved	1,205,051	1,117,973
Reserved per revenue bond ordinance for:		
Current and future debt service	341,672	331,412
Airport depreciation	<u>165,487</u>	<u>239,552</u>
	<u>507,159</u>	<u>570,964</u>
	<u>1,712,210</u>	<u>1,688,937</u>
TOTAL EQUITY	<u>20,916,217</u>	<u>20,644,770</u>
	<u>\$23,614,418</u>	<u>\$23,444,992</u>

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

	<u>2009</u>	<u>2008</u>
OPERATING REVENUE		
Sales	\$1,054,064	\$1,659,176
Rentals	319,452	359,696
Sales tax revenue	<u>107,107</u>	<u>110,563</u>
	1,480,623	2,129,435
 OPERATING EXPENSES		
Fuel and oil	837,213	1,425,096
Salaries	237,420	222,234
Payroll taxes	17,708	16,586
Maintenance and repairs	124,167	62,710
Professional fees	24,800	16,800
Utilities	17,026	17,714
Insurance	46,441	41,027
Communications	5,864	5,821
Rental – equipment and land	2,298	1,741
Office expense	3,026	3,711
Supplies	3,090	2,019
Pension	12,821	9,395
Other	<u>21,473</u>	<u>28,383</u>
	<u>1,353,347</u>	<u>1,853,237</u>
OPERATING INCOME	127,276	276,198
 NON-OPERATING INCOME (EXPENSES)		
Interest	8,427	13,299
Interest on bonds	(104,145)	(115,993)
Interest - other	<u>(8,285)</u>	<u>(15)</u>
	<u>(104,003)</u>	<u>(102,709)</u>
 NET INCOME	 <u>\$ 23,273</u>	 <u>\$ 173,489</u>

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

West Memphis Municipal Airport
STATEMENTS OF RETAINED EARNINGS
For the Years Ended December 31, 2009 and 2008

	<u>Unreserved</u>	<u>Reserved</u>	<u>Total</u>
Balance, December 31, 2007	\$1,097,104	\$418,344	\$1,515,448
Net income	173,489	-	173,489
Transfers	<u>(152,620)</u>	<u>152,620</u>	<u>-</u>
Balance, December 31, 2008	1,117,973	570,964	1,688,937
Net income	23,273	-	23,273
Transfers	<u>63,805</u>	<u>(63,805)</u>	<u>-</u>
Balance, December 31, 2009	<u>\$1,205,051</u>	<u>\$507,159</u>	<u>\$1,712,210</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>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 23,273	\$ 173,489
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in receivables	(37,946)	820,168
(Increase) decrease in inventory	(18,010)	33,084
Increase (decrease) in accounts payable	4,961	(97,075)
Increase (decrease) in interest payable	(570)	(475)
Total adjustments	<u>(51,565)</u>	<u>755,702</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(28,292)</u>	<u>929,191</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	<u>(183,143)</u>	<u>(768,676)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(183,143)</u>	<u>(768,676)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(106,412)	(96,516)
Contributed capital	<u>248,174</u>	<u>139,628</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>141,762</u>	<u>43,112</u>
NET INCREASE (DECREASE) IN CASH	(69,673)	203,627
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>776,551</u>	<u>572,924</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 706,878</u>	<u>\$ 776,551</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for interest	<u>\$ 113,000</u>	<u>\$ 116,943</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.

Basis of Accounting

The Airport follows the accrual basis of accounting.

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 is 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).

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.

West Memphis Municipal Airport
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Shipping and Handling

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

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, 2009, 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.

NOTE D - LONG-TERM DEBT

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

	<u>2009</u>	<u>2008</u>
<p>Airport revenue bonds. The bonds are subject to redemption prior to maturity in inverse order of maturities beginning in 2008. Principal payments are due annually in increasing amounts over 20 years. Interest is payable semiannually. The bonds have various interest rates ranging from 3.80% to 4.45%. The bonds are special obligations of the airport and the City of West Memphis and are payable from and secured by a pledge of revenues of the airport remaining after payment of necessary and ordinary operating and maintenance costs.</p>	\$2,415,000	\$2,505,000
<p>Note payable to West Memphis Utility Commission payable in monthly installments of \$1500. Interest rate is 3.5% beginning in August, 2005. Maturity date is January, 2027.</p>	231,427	241,142
<p>Non interest bearing note payable in monthly installments of \$558, final payment due October, 2013, secured by equipment and improvements.</p>	<u>25,737</u> 2,672,164	<u>32,434</u> 2,778,576
<p>Less current portion</p>	<u>111,756</u>	<u>106,411</u>
	<u>\$2,560,408</u>	<u>\$2,672,165</u>

West Memphis Municipal Airport
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE D - LONG-TERM DEBT - CONTINUED

Principal payments on long-term debt are as follows:

<u>Year Ending</u>	<u>Amount</u>
2010	\$ 111,756
2011	112,114
2012	117,485
2013	121,822
2014	121,570
Thereafter	<u>2,087,417</u>
	<u>\$2,672,164</u>

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 \$12,821 and \$9,395 for 2009 and 2008 respectively.

West Memphis Municipal Airport
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE F - GENERAL FIXED ASSETS

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

	<u>Balance</u> <u>12/31/08</u>	<u>Addition</u>	<u>Deduction</u>	<u>Balance</u> <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>

	<u>Balance</u> <u>12/31/07</u>	<u>Addition</u>	<u>Deduction</u>	<u>Balance</u> <u>12/31/08</u>
Land	\$ 1,721,600	\$ -	\$ -	\$ 1,721,600
Buildings	4,053,905	-	-	4,053,905
Improvements	15,629,904	774,115	-	16,404,019
Vehicles and equipment	<u>406,277</u>	<u>-</u>	<u>5,440</u>	<u>400,837</u>
	<u>\$21,811,686</u>	<u>\$774,115</u>	<u>\$ 5,440</u>	<u>\$22,580,361</u>

NOTE G - EVENTS OCCURRING AFTER REPORTING DATE

The Airport has evaluated events and transactions that occurred between December 31, 2009 and October 25, 2010, which is the date that financial statements were available to be issued, for possible recognition or disclosure in the financial statements.