

**Community Development Agency  
City of West Memphis, Arkansas**

**FINANCIAL REPORT**

**December 31, 2006**

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**INDEPENDENT AUDITORS' REPORT**

To the Mayor and City Council  
City of West Memphis, Arkansas

We have audited the accompanying balance sheet of the Community Development Agency of the City of West Memphis, Arkansas, as of December 31, 2006, and the related statement of activities and changes in net assets and schedule of expenditures of federal awards for the year then ended. These financial statements are the responsibility of the management of the City of West Memphis. Our responsibility is to express an opinion on the financial statements of the program based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Those standards and OMB Circular A-133 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 the 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 opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the Community Development Agency of the City of West Memphis, Arkansas, as of December 31, 2006 and the changes in its nets assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The statements of funds and program costs listed in the table of contents as supplemental information is presented for the purpose of additional analysis. We have not applied auditing procedures to this information, and accordingly, we express no opinion on the statement of funds and program costs.

*Jackson, Howell & Associates, PLLC*

West Memphis, Arkansas  
May 22, 2008

**Community Development Agency  
City of West Memphis, Arkansas  
BALANCE SHEET  
December 31, 2006**

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**ASSETS**

Cash	\$ 2,286
Equipment	<u>7,867</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,153</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>	
Accounts payable	34,073
Due to City of West Memphis	<u>199,021</u>
	233,094
<b>NET ASSETS</b>	<u>(222,941)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 10,153</u></b>

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

**Community Development Agency  
City of West Memphis, Arkansas  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the Year Ended December 31, 2006**

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<b>REVENUES:</b>	
Grant income	\$ 216,375
<b>EXPENDITURES:</b>	
Rehabilitation	130,552
Demolition expenses	94,350
Fair housing	3,000
Administration costs	<u>103,898</u>
<b>TOTAL EXPENDITURES</b>	<u>331,800</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	(115,425)
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>(107,516)</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$(222,941)</u>

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

**Community Development Agency  
City of West Memphis, Arkansas  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2006**

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<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Federal Expenditures</u></b>
Community Development Block Grant No. B-05-MC-05-0009 Project start date 7/1/05	14.218	\$141,324
Community Development Block Grant No. B-06MC-05-0009 Project Start Date 7/1/06	14.218	<u>190,476</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$331,800</u></b>

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO THE FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE PROGRAM-SPECIFIC AUDIT OPTION UNDER OMB CIRCULAR A-133**

To the Mayor and City Council  
West Memphis, Arkansas

**Compliance**

We have audited the compliance of the City of West Memphis, Arkansas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to Community Development Agency for the year ended December 31, 2006. Compliance with requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of West Memphis, Arkansas' management. Our responsibility is to express an opinion on the City of West Memphis, Arkansas' compliance based on our audit.

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

In our opinion, the City of West Memphis, Arkansas complied, in all material respects, with the requirements referred to above that are applicable to its Community Development Agency for the year ended December 31, 2006.

**Internal Control Over Compliance**

The management of the City of West Memphis, Arkansas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of West Memphis, Arkansas' internal control over compliance with the requirements that could have a direct and material effect on its Community Development Agency in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of West Memphis, Arkansas' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor and the City Council, management and federal and state cognizant agencies. However, this report is a matter of public record and its distribution is not limited.

West Memphis, Arkansas  
May 22, 2008

Jackson, Howell & Associates, PLLC

**Community Development Agency  
City of West Memphis, Arkansas  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2006**

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**SUMMARY OF AUDITORS' RESULTS**

Federal Awards - Program Specific Audit

Internal control over the program:

Material weakness(es) identified?                     Yes     No

Significant deficiency(ies) identified that  
are not considered to be material weaknesses?                     Yes     None reported

Type of auditors' report issued on compliance for the program: unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510(a) of Circular A-133?                     Yes     No

Identification of Federal Award audited:

Community Development Block Grant - CFDA 14.218

Findings and Questioned Costs for Federal Awards

None

Prior year findings and questioned costs:

The prior year federal audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior audit's Summary of Prior Audit Findings.

**Community Development Agency  
City of West Memphis, Arkansas  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Community Development Agency ("CDA", "Agency") is a component unit of the City of West Memphis, Arkansas. The Agency receives its funding from the U.S. Department of Housing and Urban Development (DHUD). The purpose of the agency is to repair or to replace certain public facilities, buildings, streets, and to assist in the rehabilitation of dwellings of low income homeowners. The Agency also administers DHUD Programs designed to help low income families become homeowners. The financial statements include only the accounts and balances of the Community Development Agency, and do not include the accounts and balances of other departments of the City of West Memphis.

**Accounting Method**

The Community Development Agency maintains its financial records in accordance with the principles of fund accounting. An accrual method of accounting is used whereby expenses are recognized in the period in which they are incurred; revenues are recognized when requested from the U.S. Department of Housing and Urban Development. The loss for the year ended December 31, 2006 results from the Agency not requesting reimbursement in the period the expenses were incurred.

**NOTE B - DEFERRED COMPENSATION PLAN AND NONUNIFORMED EMPLOYEES' PENSION PLAN**

Certain employees of the Agency, being employees of the City of West Memphis, are eligible to participate in these plans. Audited financial statements for the year ended December 31, 2006 issued by other auditors, contain a full description of the plans. Pension expense for the Agency reflected in the accompanying financial statements is \$11,841.

**NOTE C - COMPENSATED ABSENCES**

Employees of the Agency are entitled to paid vacations, sick days, and personal days off, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying statement of financial position. The Agency's policy is to recognize the costs of compensated absences when actually paid.

**NOTE D - CONCENTRATION OF CREDIT RISK**

At December 31, 2006, the carrying amount of the Community Development Agency's deposits was \$2,286. The Agency's bank deposits were fully covered by federal depository insurance.

**SUPPLEMENTARY INFORMATION**

**Community Development Agency**  
**City of West Memphis, Arkansas**  
**COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS**  
**PROGRAM YEAR 2005, CDBG GRANT NUMBER B-05-MC-05-0009**

**STATEMENT OF FUNDS AND PROGRAM COSTS**  
**For the Period From July 1, 2005 to December 31, 2006**

	<u>Program To Date</u>	<u>Per Grant Application</u>	<u>Funds Available</u>
Funds drawn	<u>\$483,833</u>	<u>\$483,833</u>	<u>\$ -</u>
<b>PROGRAM COSTS</b>			
Public facilities improvements	230,000	230,000	-
Rehabilitation	100,000	100,000	-
Demolition	43,739	49,068	5,329
Administration and planning	96,765	96,765	-
Fair housing	3,000	3,000	-
Public services	<u>-</u>	<u>5,000</u>	<u>5,000</u>
<b>TOTAL PROGRAM COSTS</b>	<u><b>\$473,504</b></u>	<u><b>\$483,833</b></u>	<u><b>\$ 10,329</b></u>
<b>EXCESS (DEFICIENCY) OF FUNDS DRAWN OVER PROGRAM COSTS</b>	<u><b>\$ 10,329</b></u>		

Community Development Agency  
City of West Memphis, Arkansas  
**COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS**  
**PROGRAM YEAR 2006, CDBG GRANT NUMBER B-06-MC-05-0009**

**STATEMENT OF FUNDS AND PROGRAM COSTS**  
**For the Period From July 1, 2006 to December 31, 2007**

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	<u>Program To Date</u>	<u>Per Grant Application</u>	<u>Funds Available</u>
Funds drawn	<u>\$ 49,542</u>	<u>\$434,712</u>	<u>\$385,170</u>
<b>PROGRAM COSTS</b>			
Public facilities improvements	-	70,000	70,000
Housing rehabilitation	76,438	130,000	53,562
Demolition	51,123	148,712	97,589
Administration and planning	62,914	83,000	20,086
Fair Housing	<u>-</u>	<u>3,000</u>	<u>3,000</u>
<b>TOTAL PROGRAM COSTS</b>	<u><b>\$ 190,475</b></u>	<u><b>\$434,712</b></u>	<u><b>\$244,237</b></u>
<b>EXCESS (DEFICIENCY) OF FUNDS DRAWN OVER PROGRAM COSTS</b>	<u><b>\$(140,933)</b></u>		