

City of West Memphis, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2011

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF WEST MEMPHIS, ARKANSAS
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Rep. Kim Hammer
House Chair
Sen. Linda Chesterfield
Senate Vice Chair
Rep. John W. Walker
House 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, 2011, 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, 2011, or the changes in its financial position or where applicable, its cash flows, thereof for the year then ended.

The West Memphis 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 West Memphis 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).

Further, 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, 2011, 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).

Further, 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, 2011, 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).

As discussed in Note 1 to the financial statements, the City changed the classifications of its governmental fund balances on January 1, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2012 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. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements. The other information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the regulatory basis financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script, reading "Roger A. Norman".

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

Little Rock, Arkansas
November 1, 2012
LOM109411

Sen. Bryan B. King
Senate Chair
Rep. Kim Hammer
House Chair
Sen. Linda Chesterfield
Senate Vice Chair
Rep. John W. Walker
House Vice Chair

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, 2011, and have issued our report thereon dated November 1, 2012. 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 West Memphis 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's 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weakness:

2011-1 To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording 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 transactions to the extent possible with the current staffing levels.

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

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.

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 2011:

Mayor: William H. Johnson
Treasurer: Frank Martin
City Clerk: Phillip Para
District Court Clerk: Terry Griffin
Police Chief: Robert Paudert (retired August 31, 2011); Donald Oakes (appointed September 8, 2011)

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

The City paid \$3,141 for country club dues for the Director of Economic Development in apparent conflict with Ark. Const. art. 12, § 5, as interpreted in Op. Att'y Gen. nos. 93-416 and 94-021 which both indicate this type of expenditure does not meet the "public purpose doctrine."

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 Ark. Code Ann. § 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
November 1, 2012

CITY OF WEST MEMPHIS, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2011

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 2,472,035	\$ 3,311,191	\$ 6,938,187
Investments			8,862,144
Accounts receivable	1,694,136	397,821	536,698
Interfund receivables	228,214	2,201,390	645,177
TOTAL ASSETS	\$ 4,394,385	\$ 5,910,402	\$ 16,982,206
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 491,501	\$ 18,095	\$ 1,087,873
Interfund payables	2,289,587	9,057	776,137
Settlements pending			229,977
Total Liabilities	2,781,088	27,152	2,093,987
Fund Balances: (Note 9)			
Restricted	206,813	5,883,250	14,278,895
Committed			562,332
Assigned	469,850		46,992
Unassigned	936,634		
Total Fund Balances	1,613,297	5,883,250	14,888,219
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,394,385	\$ 5,910,402	\$ 16,982,206

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, 2011

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 694,587	\$ 1,248,925	\$ 261,704
Federal aid	379,617	1,798,810	1,412,451
Property taxes		147,906	1,127,149
Franchise fees	2,085,763		
Sales taxes	6,704,722	1,270,105	169,347
Fines, forfeitures, and costs	692,826		692,946
Interest	9,971	26,671	272,106
Local permits and fees	956,772		
Sanitation fees			2,310,189
Advertising and promotion tax			1,212,639
911 fees			250,108
Southland breakage	376,838		
Southland gaming tax	1,177,285		
Insurance premiums collected	199,682		
Other	1,869,787	16,105	512,182
	15,147,850	4,508,522	8,220,821
 TOTAL REVENUES			
 EXPENDITURES			
Current:			
General government	2,406,876		95,045
Law enforcement	7,492,423		914,825
Highways and streets		4,442,382	319,956
Public safety	4,767,625		825,781
Sanitation			2,766,994
Health	160,373		
Recreation and culture	658,948		1,083,576
Social services	672,793		240,098
Community development	182,674		1,116,899
Total Current	16,341,712	4,442,382	7,363,174

CITY OF WEST MEMPHIS, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Exhibit B

	General	Street	Other Funds in the Aggregate
EXPENDITURES (Continued)			
Debt Service:			
Bond principal			\$ 75,000
Bond interest and other charges			64,777
Note principal	\$ 113,894		
Note interest	5,125		
TOTAL EXPENDITURES	16,460,731	\$ 4,442,382	7,502,951
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,312,881)	66,140	717,870
OTHER FINANCING SOURCES (USES)			
Transfers in	667,042		367,861
Transfers out	(50,000)	(30,197)	(954,706)
Contribution to airport	(105,842)		
Contribution from utility department	916,421		
Gain (loss) on sale of investments			267,070
TOTAL OTHER FINANCING SOURCES (USES)	1,427,621	(30,197)	(319,775)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	114,740	35,943	398,095
FUND BALANCES - JANUARY 1	1,498,557	5,847,307	14,490,124
FUND BALANCES - DECEMBER 31	\$ 1,613,297	\$ 5,883,250	\$ 14,888,219

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, 2011

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 705,000	\$ 694,587	\$ (10,413)	\$ 1,379,196	\$ 1,248,925	\$ (130,271)
Federal aid	330,000	379,617	49,617		1,798,810	1,798,810
Property taxes				166,667	147,906	(18,761)
Franchise fees	2,335,000	2,085,763	(249,237)			
Sales taxes	8,500,000	6,704,722	(1,795,278)	1,315,000	1,270,105	(44,895)
Fines, forfeitures, and costs	790,000	692,826	(97,174)			
Interest	8,000	9,971	1,971	5,000	26,671	21,671
Local permits and fees	860,524	956,772	96,248			
Southland breakage	258,000	376,838	118,838			
Southland gaming tax	500,000	1,177,285	677,285			
Insurance premiums collected		199,682	199,682			
Other	791,000	1,869,787	1,078,787		16,105	16,105
TOTAL REVENUES	15,077,524	15,147,850	70,326	2,865,863	4,508,522	1,642,659
EXPENDITURES						
Current:						
General government	2,277,202	2,406,876	(129,674)			
Law enforcement	7,970,378	7,492,423	477,955			
Highways and streets				3,724,028	4,442,382	(718,354)
Public safety	4,652,807	4,767,625	(114,818)			
Health	161,000	160,373	627			
Recreation and culture	633,487	658,948	(25,461)			
Social services	614,885	672,793	(57,908)			
Community development	191,000	182,674	8,326			
Total Current	16,500,759	16,341,712	159,047	3,724,028	4,442,382	(718,354)

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, 2011

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)						
Debt Service:						
Note principal	\$ 113,955	\$ 113,894	\$ 61			
Note interest	5,063	5,125	(62)			
TOTAL EXPENDITURES	<u>16,619,777</u>	<u>16,460,731</u>	<u>159,046</u>	<u>\$ 3,724,028</u>	<u>\$ 4,442,382</u>	<u>\$ (718,354)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,542,253)</u>	<u>(1,312,881)</u>	<u>229,372</u>	<u>(858,165)</u>	<u>66,140</u>	<u>924,305</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	623,750	667,042	43,292			
Transfers out	(1,490,334)	(50,000)	1,440,334	(30,197)		(30,197)
Contribution to airport	(109,584)	(105,842)	3,742			
Contribution from utility department	961,497	916,421	(45,076)			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(14,671)</u>	<u>1,427,621</u>	<u>1,442,292</u>	<u>(30,197)</u>		<u>(30,197)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(1,556,924)</u>	<u>114,740</u>	<u>1,671,664</u>	<u>(858,165)</u>	<u>35,943</u>	<u>894,108</u>
FUND BALANCES - JANUARY 1	<u>1,498,557</u>	<u>1,498,557</u>		<u>5,847,307</u>	<u>5,847,307</u>	
FUND BALANCES - DECEMBER 31	<u>\$ (58,367)</u>	<u>\$ 1,613,297</u>	<u>\$ 1,671,664</u>	<u>\$ 4,989,142</u>	<u>\$ 5,883,250</u>	<u>\$ 894,108</u>

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

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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: West Memphis 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 funds; 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 used to account for and report all financial resources not accounted for and reported 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 (Emergency Medical Services), Federal Emergency Management Agency (FEMA), Neighborhood Center, and Employee Self-Insured Benefits (Insurance).

Street Fund - The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback, property taxes, federal aid, and sales taxes that are restricted 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The following Special Revenue Funds are reported with other funds in the aggregate: Sanitation, Library, Advertising and Promotion, Narcotics, Park, 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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund, General Park, is reported with other funds in the aggregate.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Debt Service Fund, Park Bond, is reported with other funds in the aggregate.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

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

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 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 Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).
3. Assigned fund balance - amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.
4. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1: Summary of Significant Accounting Policies (Continued)

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 15. 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.
- 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, Street Fund, and the other Special Revenue Funds.

G. Fund Balance Classification Policies and Procedures

The Municipality's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

The Municipality does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Municipality does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

H. Change in Regulatory Basis

The City adopted Governmental Accounting Standards Board (GASB) Statement no. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* on January 1, 2011. GASB Statement no. 54 changed the classifications of governmental fund balances from reserved and unreserved to nonspendable, restricted, committed, assigned, and unassigned.

CITY OF WEST MEMPHIS, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011

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 time deposits. Public funds may be invested in eligible investment securities having a maturity of not longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

B. Pension Trust Funds

State law generally requires that pension funds be deposited in banks. Pension funds may be invested in interest-bearing bonds of the United States, of the State of Arkansas, or of the city in which the board is located, in a local government joint investment trust, in the Arkansas Local Police and Fire Retirement System, or in savings and loan associations duly established and authorized to do business in this state. State law also provides that if the total assets of the pension trust fund exceed \$100,000, the board may employ an investment advisor to invest the assets, subject to terms, conditions, limitations, and restrictions imposed by law upon the Arkansas Local Police and Fire Retirement System.

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	December 31, 2011	
	Reported Amount	Fair Value
Pension Trust	\$ 8,862,144	\$ 9,257,038

These investments are composed of the following:

	December 31, 2011	
	Reported Amount	Fair Value
Equities	\$ 4,112,842	\$ 4,404,884
Mutual funds	2,495,200	2,439,042
Convertible securities	13,450	12,676
Preferred	5,515	4,093
Corporate bonds	1,272,814	1,334,544
US Government securities	962,323	1,061,799
Totals	\$ 8,862,144	\$ 9,257,038

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 5: Accounts Receivable

The accounts receivable balance at December 31, 2011 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	\$ 82,255	\$ 98,809	\$ 14,873
Federal aid	51,240	299,012	350,307
Franchise fees	53,178		
Sales taxes	641,260		
Fines, forfeitures, and costs	41,995		5,724
Local permits and fees	41,835		
Sanitation fees			17,201
Advertising and promotion tax			110,075
911 fees			38,518
Southland breakage	126,662		
Southland gaming tax	120,590		
Contribution from utility department	76,667		
Other	458,454		
Totals	<u>\$ 1,694,136</u>	<u>\$ 397,821</u>	<u>\$ 536,698</u>

NOTE 6: Accounts Payable

The accounts payable balance at December 31, 2011 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 128,458	\$ 6,296	\$ 69,426
Other	363,043	11,799	1,018,447
Totals	<u>\$ 491,501</u>	<u>\$ 18,095</u>	<u>\$ 1,087,873</u>

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 7: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2011	
	Interfund Receivables	Interfund Payables
General	\$ 228,214	\$ 2,289,587
Street	2,201,390	9,057
Other Funds in the Aggregate:		
Special Revenue:		
Sanitation	90,529	407
Library	36,390	315,907
Advertising and Promotion	7,208	45,376
Narcotics		100,881
Park	4,272	
Auditorium	50,146	1,904
Community Development	622	193,054
Emergency 911		59
Metropolitan Planning Organization		34,687
Special	13,504	82,890
Capital Project:		
General Park	12,337	
Trust and Agency:		
Firemen's Pension	124,852	350
Policemen's Pension	124,852	
Payroll	180,465	622
Totals	<u>\$ 3,074,781</u>	<u>\$ 3,074,781</u>

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

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2011, the legal debt limit for the bonded debt was \$58,909,580. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2011, the legal debt limit for short-term financing obligations was \$15,355,735. There were no short-term financing obligations.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 9: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2011 are composed of the following:

Description	General	Street	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
Law enforcement	\$ 41,505		\$ 254,129
Highways and streets		\$ 5,883,250	57,812
Public safety			345,628
Recreation and culture			1,787,933
Social services	165,308		8,274
Community development			857,824
Debt service			49,438
Capital outlay			927,898
Pension benefits			9,989,959
Total Restricted	206,813	5,883,250	14,278,895
Committed for:			
Sanitation			433,500
Recreation and culture			128,832
Total Committed			562,332
Assigned to:			
Law enforcement	996		40,000
Public safety	468,854		
Recreation and culture			6,992
Total Assigned	469,850		46,992
Unassigned	936,634		
Totals	\$ 1,613,297	\$ 5,883,250	\$ 14,888,219

NOTE 10: Commitments

Total commitments consist of the following at December 31, 2011:

	December 31, 2011
Long-term liabilities	\$ 3,534,009

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 10: Commitments (Continued)

Long-term Liabilities

Long-term liabilities at December 31, 2011 are comprised of the following:

	December 31, 2011
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.	\$ 1,400,000
Compensated Absence Liability	2,134,009
Total Long-term Liabilities	\$ 3,534,009

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

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2011:

Years Ending December 31,	Bonds
2012	\$ 134,952
2013	136,850
2014	133,570
2015	135,124
2016	136,405
2017 through 2021	669,898
2022 through 2025	536,111
Total Obligations	1,882,910
Less Interest	482,910
Total Principal	\$ 1,400,000

NOTE 11: Interfund Transfers

The Street Fund transferred \$30,197 to the Other Funds in the Aggregate (Metropolitan Planning Organization Fund) for city portion of matching funds for street improvements. Other Funds in the Aggregate (Advertising and Promotion Fund) transferred \$299,864 to the General Fund to defray costs for Memphis Area Transit Authority bus system. Other Funds in the Aggregate (Narcotics Fund) transferred \$367,178 to the General Fund for drug enforcement costs. The General Fund transferred \$10,000 to the Other Funds in the Aggregate (Special Fund) for energy grant expenditures. The General Fund transferred \$40,000 to the Other Funds in the Aggregate (Narcotics Fund) for drug enforcement costs. Within Other Funds in the Aggregate, the Capital Projects Fund transferred \$137,733 to the Debt Service Fund to cover bond payments and the Advertising and Promotion Fund transferred \$149,931 to the Capital Projects Fund for capital expenditures.

NOTE 12: Pledged Revenues

The City pledged future franchise fees to repay \$1,745,000 in improvement bonds that were issued in 2006 to provide funding for improvements to the City's parks. Total principal and interest remaining on the bonds are \$1,400,000 and \$482,910, respectively, payable through June 1, 2025. For 2011, principal and interest paid were \$75,000 and \$64,777, respectively.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 12: Pledged Revenues (Continued)

The General Fund received \$2,085,763 in franchise fees in 2011. Any franchise fees 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 pay the debt service payments.

NOTE 13: Risk Management

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

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

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

Municipal Vehicle Program

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

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

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

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 13: Risk Management (Continued)

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 14: Firemen's Pension and Relief Plan

Plan Description

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

Contributions

Active participants of the plan are required to make contributions of not less than 6% of their salary to the plan. Active volunteer firemen are required to make contributions of \$12 per year. The City is required by state law to contribute an amount equal to but not less than 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 15: 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 6% of their salary to the plan, provided that such monthly deduction shall be 4% for policemen contributing to the social security system unless increased, but not to exceed 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 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 10% of all fines and forfeitures collected for violation of ordinances or state law. 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.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

**NOTE 16: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)**

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, P. O. Drawer 34164, Little Rock, Arkansas 72203 or by calling 1-501-682-1745.

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A. Paid service not covered by Social Security: 8.5% of gross pay
- B. Paid service also covered by Social Security: 2.5% of gross pay
- 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 17: Arkansas Public Employees Retirement System

Plan Description

The City contributes 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 (currently the District Judge and District Court Clerk). 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 18: Southland Greyhound Park Breakage

Southland Greyhound Park Breakage consists of the City's share of the odd cents or breaks after distribution of each parimutuel pool. In accordance with Ark. Code Ann. § 23-111-509, breakage is computed as the amount of odd cents remaining in each parimutuel pool after redistributions are made in a sum equal to the next lowest multiple of ten cents (\$.10). The City receives two-thirds (2/3) of the total breakage.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 19: 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 20: 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 2011 was \$916,421. The City also charges the Department five percent of utility sales in lieu of franchise fees. The amount paid by the Department in 2011 was \$1,455,525.
- B. As a convenience to customers, the Utility Department includes the fees of city-provided garbage collection and mosquito control in its monthly customer billings. Garbage collection fees are remitted to the Sanitation Fund and mosquito fees are remitted to the General Fund monthly.

NOTE 21: Nonuniformed Employees Pension Plan (A Defined Contribution Plan)

On January 1, 1977, the City established a defined contribution pension plan for all nonuniformed employees and has contracted with a private insurance carrier who maintains an account for the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The contribution plan requires the City to contribute to the insurance carrier an amount equal to five percent (5%) of the employees' base salary. The City's contributions (and interest allocated to the employees' account) are vested at a rate of twenty percent per year until fully vested after five (5) 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 employees' account quarterly. Employees are entitled only to the funds deposited by them and in their behalf.

NOTE 22: 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. Insurance premiums collected in the amount of \$199,682, as reflected on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis, represent the employees' share of the insurance premiums. Claims paid during 2011 from the account totaled \$900,416. The City ceased using this Self-Insured Benefit plan on June 30, 2011 and remaining funds of \$68,891 were remitted to the General Fund.

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2011

Schedule 1

SPECIAL REVENUE FUNDS									
	Sanitation	Library	Advertising and Promotion	Narcotics	Park	Auditorium	Community Development	Emergency 911	Metropolitan Planning Organization
ASSETS									
Cash and cash equivalents	\$ 366,936	\$ 1,993,281	\$ 780,558	\$ 356,134	\$ 76,403	\$ 59,211	\$ 11,374	\$ 303,333	\$ 65,965
Investments									
Accounts receivable	17,200	14,873	110,075				196,054	38,518	46,560
Interfund receivables	90,529	36,390	7,208		4,272	50,146	622		
TOTAL ASSETS	\$ 474,665	\$ 2,044,544	\$ 897,841	\$ 356,134	\$ 80,675	\$ 109,357	\$ 208,050	\$ 341,851	\$ 112,525
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 40,758		\$ 9,637						\$ 20,026
Interfund payables	407	\$ 315,907	45,376	\$ 100,881		\$ 1,904	\$ 193,054	\$ 59	34,687
Settlements pending									
Total Liabilities	41,165	315,907	55,013	100,881		1,904	193,054	59	54,713
Fund Balances:									
Restricted		1,707,258	842,828	215,253	\$ 80,675		14,996	341,792	57,812
Committed	433,500	21,379				107,453			
Assigned				40,000					
Total Fund Balances	433,500	1,728,637	842,828	255,253	80,675	107,453	14,996	341,792	57,812
TOTAL LIABILITIES AND FUND BALANCES	\$ 474,665	\$ 2,044,544	\$ 897,841	\$ 356,134	\$ 80,675	\$ 109,357	\$ 208,050	\$ 341,851	\$ 112,525

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2011

Schedule 1

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TRUST FUNDS	
	Special	Federal Grant Programs	District Judge's and Clerk's Retirement Cost	General Park	Park Bond	Firemen's Pension	Policemen's Pension
ASSETS							
Cash and cash equivalents	\$ 728,523	\$ 8,274	\$ 7,690	\$ 200,855	\$ 49,438	\$ 307,527	\$ 557,959
Investments						5,066,944	3,795,200
Accounts receivable	108,133		1,224				4,061
Interfund receivables	13,504			12,337		124,852	124,852
TOTAL ASSETS	\$ 850,160	\$ 8,274	\$ 8,914	\$ 213,192	\$ 49,438	\$ 5,499,323	\$ 4,482,072
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 2,860						
Interfund payables	82,890					\$ 350	
Settlements pending							
Total Liabilities	85,750					350	
Fund Balances:							
Restricted	757,418	\$ 8,274	\$ 8,914	\$ 213,192	\$ 49,438	5,498,973	\$ 4,482,072
Committed							
Assigned	6,992						
Total Fund Balances	764,410	8,274	8,914	213,192	49,438	5,498,973	4,482,072
TOTAL LIABILITIES AND FUND BALANCES	\$ 850,160	\$ 8,274	\$ 8,914	\$ 213,192	\$ 49,438	\$ 5,499,323	\$ 4,482,072

CITY OF WEST MEMPHIS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2011

Schedule 1

	AGENCY FUNDS				
	District Court	Payroll	Police Confiscation	Administration of Justice	Totals
ASSETS					
Cash and cash equivalents	\$ 139,952	\$ 834,749	\$ 88,908	\$ 1,117	\$ 6,938,187
Investments					8,862,144
Accounts receivable					536,698
Interfund receivables		180,465			645,177
	<u>\$ 139,952</u>	<u>\$ 1,015,214</u>	<u>\$ 88,908</u>	<u>\$ 1,117</u>	<u>\$ 16,982,206</u>
TOTAL ASSETS	<u>\$ 139,952</u>	<u>\$ 1,015,214</u>	<u>\$ 88,908</u>	<u>\$ 1,117</u>	<u>\$ 16,982,206</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		\$ 1,014,592			\$ 1,087,873
Interfund payables		622			776,137
Settlements pending	\$ 139,952		\$ 88,908	\$ 1,117	229,977
Total Liabilities	<u>139,952</u>	<u>1,015,214</u>	<u>88,908</u>	<u>1,117</u>	<u>2,093,987</u>
Fund Balances:					
Restricted					14,278,895
Committed					562,332
Assigned					46,992
Total Fund Balances					<u>14,888,219</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 139,952</u>	<u>\$ 1,015,214</u>	<u>\$ 88,908</u>	<u>\$ 1,117</u>	<u>\$ 16,982,206</u>

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, 2011

Schedule 2

SPECIAL REVENUE FUNDS									
	Sanitation	Library	Advertising and Promotion	Narcotics	Park	Auditorium	Community Development	Emergency 911	Metropolitan Planning Organization
REVENUES									
State aid		\$ 64,444							
Federal aid	\$ 88,792		\$ 5,328				\$ 475,221		\$ 264,515
Property taxes		532,973							
Sales taxes									
Fines, forfeitures, and costs				\$ 603,843					
Interest	1,931	8,598	6,467	296		\$ 320		\$ 468	
Sanitation fees	2,310,189								
Advertising and promotion tax			1,212,639						
911 fees								250,108	
Other	3,278	73,386	32,086		\$ 7,367	348,017			24,733
TOTAL REVENUES	2,404,190	679,401	1,256,520	604,139	7,367	348,337	475,221	250,576	289,248
EXPENDITURES									
Current:									
General government									
Law enforcement				182,851					
Highways and streets									319,956
Public safety								48,195	
Sanitation	2,766,994								
Recreation and culture		393,978			12,497	330,287			
Social services									
Community development			655,143				461,756		
Total Current	2,766,994	393,978	655,143	182,851	12,497	330,287	461,756	48,195	319,956
Debt Service:									
Bond principal									
Bond interest and other charges									
TOTAL EXPENDITURES	2,766,994	393,978	655,143	182,851	12,497	330,287	461,756	48,195	319,956
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(362,804)	285,423	601,377	421,288	(5,130)	18,050	13,465	202,381	(30,708)
OTHER FINANCING SOURCES (USES)									
Transfers in				40,000					30,197
Transfers out			(449,795)	(367,178)					
Gain (loss) on sale of investments									
TOTAL OTHER FINANCING SOURCES (USES)			(449,795)	(327,178)					30,197
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(362,804)	285,423	151,582	94,110	(5,130)	18,050	13,465	202,381	(511)
FUND BALANCES - JANUARY 1	796,304	1,443,214	691,246	161,143	85,805	89,403	1,531	139,411	58,323
FUND BALANCES - DECEMBER 31	<u>\$ 433,500</u>	<u>\$ 1,728,637</u>	<u>\$ 842,828</u>	<u>\$ 255,253</u>	<u>\$ 80,675</u>	<u>\$ 107,453</u>	<u>\$ 14,996</u>	<u>\$ 341,792</u>	<u>\$ 57,812</u>

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, 2011

Schedule 2

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TRUST FUNDS		Totals
	Special	Federal Grant Programs	District Judge's and Clerk's Retirement Cost	General Park	Park Bond	Firemen's Pension	Policemen's Pension	
REVENUES								
State aid	\$ 31,485					\$ 67,432	\$ 98,343	\$ 261,704
Federal aid	371,866	\$ 206,729						1,412,451
Property taxes						297,088	297,088	1,127,149
Sales taxes	169,347							169,347
Fines, forfeitures, and costs	8,820		\$ 15,885				64,398	692,946
Interest	1,814				\$ 5	156,147	96,060	272,106
Sanitation fees								2,310,189
Advertising and promotion tax								1,212,639
911 fees								250,108
Other	4,275					10,641	8,399	512,182
TOTAL REVENUES	587,607	206,729	15,885		5	531,308	564,288	8,220,821
EXPENDITURES								
Current:								
General government	95,045							95,045
Law enforcement	119,281		43,583				569,110	914,825
Highways and streets								319,956
Public safety	71,112					706,474		825,781
Sanitation								2,766,994
Recreation and culture	283,146			\$ 63,668				1,083,576
Social services		240,098						240,098
Community development								1,116,899
Total Current	568,584	240,098	43,583	63,668		706,474	569,110	7,363,174
Debt Service:								
Bond principal					75,000			75,000
Bond interest and other charges					64,777			64,777
TOTAL EXPENDITURES	568,584	240,098	43,583	63,668	139,777	706,474	569,110	7,502,951
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,023	(33,369)	(27,698)	(63,668)	(139,772)	(175,166)	(4,822)	717,870
OTHER FINANCING SOURCES (USES)								
Transfers in	10,000			149,931	137,733			367,861
Transfers out				(137,733)				(954,706)
Gain (loss) on sale of investments						342,242	(75,172)	267,070
TOTAL OTHER FINANCING SOURCES (USES)	10,000			12,198	137,733	342,242	(75,172)	(319,775)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	29,023	(33,369)	(27,698)	(51,470)	(2,039)	167,076	(79,994)	398,095
FUND BALANCES - JANUARY 1	735,387	41,643	36,612	264,662	51,477	5,331,897	4,562,066	14,490,124
FUND BALANCES - DECEMBER 31	\$ 764,410	\$ 8,274	\$ 8,914	\$ 213,192	\$ 49,438	\$ 5,498,973	\$ 4,482,072	\$ 14,888,219

CITY OF WEST MEMPHIS, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2011

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 City Ordinance no. 441 (September 5, 1963) established fund to receive all revenues derived from the operation of the Sanitation Department.
Library	Ark. Code Ann. § 13-2-501 established fund to operate and maintain city libraries. West Memphis City Ordinance no. 314 (February 16, 1956) as amended by West Memphis City Ordinance no. 368 (March 5, 1959) allowed for the fund to receive monies for library purposes.
Advertising and Promotion	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the City and its environs; construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued. West Memphis City Ordinance no. 917 (November 3, 1977) established this fund to receive one percent tax levy on the gross receipts of hotel and/or motel, restaurants, cafes, and cafeterias.
Narcotics	Ark. Code Ann. § 5-64-505 established fund to receive monies resulting from the disposition of drug forfeiture cases to be used for law enforcement purposes.
Park	Ark. Code Ann. § 14-269-205 established fund to operate recreational park.
Auditorium	West Memphis City 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.
District Judge's and Clerk's Retirement Cost	Ark. Code Ann. §§ 24-4-751, 24-8-902 established fund to contribute an amount of money that represents the actuarially determined accrued liability to be paid to the Arkansas Public Employees Retirement System. Excess funds will be retained in this fund for the sole purpose of paying the retirement benefits of district judges and clerks.
General Park	West Memphis City Ordinance no. 2146 (May 18, 2006) established fund in relation to a bond issue to pay the related expenses to construct and improve city parks.

CITY OF WEST MEMPHIS, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2011

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

<u>Fund Name</u>	<u>Fund Description</u>
Park Bond	West Memphis City Ordinance no. 2146 (May 18, 2006) established fund to accumulate revenues to pay the principal and interest of bonds authorized by Amendment no. 62 to the Arkansas Constitution to construct and improve city parks in relation to a bond issue in prior year.
Firemen's Pension	Ark. Code Ann. § 24-11-801 established fund to receive property taxes, state aid, and other revenues allowed by law for support of firefighter retirement programs.
Policemen's Pension	Ark. Code Ann. § 24-11-403 established fund to receive property taxes, state aid, 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 costs and filing fees levied by state law to be used to defray a part of the expenses of the administration of justice in the City.

CITY OF WEST MEMPHIS, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2011
(Unaudited)

Schedule 3

	<u>December 31, 2011</u>
Land	\$ 2,519,412
Buildings	6,045,530
Equipment	<u>8,325,782</u>
Total	<u>\$ 16,890,724</u>

CITY OF WEST MEMPHIS, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
DECEMBER 31, 2011
(Unaudited)

Schedule 4

<u>General</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total Assets	\$ 4,394,385	\$ 4,160,755	\$ 4,375,989	\$ 4,028,794	\$ 2,530,686
Total Liabilities	2,781,088	2,662,198	2,130,449	1,958,907	
Total Fund Balances	1,613,297	1,498,557	2,245,540	2,069,887	2,530,686
Total Revenues	15,147,850	13,527,506	14,207,709	14,665,231	15,714,136
Total Expenditures	16,460,731	15,802,163	16,025,623	16,400,064	17,226,481
Total Other Financing Sources/Uses	1,427,621	1,527,674	1,993,567	1,441,642	841,525
<u>Street</u>					
Total Assets	\$ 5,910,402	\$ 6,017,060	\$ 5,428,071	\$ 5,108,374	\$ 1,575,008
Total Liabilities	27,152	169,753	174,636	7,214	
Total Fund Balances	5,883,250	5,847,307	5,253,435	5,101,160	1,575,008
Total Revenues	4,508,522	3,000,897	2,770,410	2,925,171	2,659,260
Total Expenditures	4,442,382	2,320,229	2,556,716	2,229,491	2,859,302
Total Other Financing Sources/Uses	(30,197)	(86,796)	(61,419)	(42,709)	(64,867)
<u>Other Funds in the Aggregate</u>					
Total Assets	\$ 16,982,206	\$ 16,649,862	\$ 15,703,222	\$ 14,997,995	\$ 15,554,246
Total Liabilities	2,093,987	2,159,738	1,955,255	981,715	301,110
Total Fund Balances	14,888,219	14,490,124	13,747,967	14,016,280	15,253,136
Total Revenues	8,220,821	7,758,121	6,991,606	7,410,427	6,434,382
Total Expenditures	7,502,951	6,494,112	6,020,851	6,622,339	8,311,755
Total Other Financing Sources/Uses	(319,775)	(521,852)	(1,239,068)	(1,347,641)	234,654

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