

**West Memphis Municipal Airport**

**FINANCIAL REPORT**

**December 31, 2008**

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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, statements of activities, statements of retained earnings, and statements of cash flows of the West Memphis Municipal Airport, of the City of West Memphis, Arkansas, as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. 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 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 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 generally accepted accounting principles. 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, 2008 and 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009, on our consideration of the West Memphis Municipal Airport of the City of West Memphis, Arkansas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, and is not a required part of the financial statements of the West Memphis Municipal Airport of the City of West Memphis, Arkansas. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

West Memphis, Arkansas  
September 30, 2009

Jackson, Howell & Associates, PLLC

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

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**ASSETS**

	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>CURRENT ASSETS</b>		
Restricted		
Cash and cash equivalents	\$ 570,964	\$ 418,343
Interest receivable	<u>367</u>	<u>366</u>
	571,331	418,709
Unrestricted:		
Cash - operating account	205,587	154,581
Receivables:		
FAA	-	664,202
State of Arkansas	-	124,771
Intergovernmental	12,671	34,996
Other	35,112	43,982
Inventory	28,348	61,432
Prepaid expenses	<u>11,582</u>	<u>11,582</u>
	<u>293,300</u>	<u>1,095,546</u>
<b>TOTAL CURRENT ASSETS</b>	<b>864,631</b>	<b>1,514,255</b>
<b>LAND, BUILDINGS AND EQUIPMENT</b>		
Land	1,721,600	1,721,600
Buildings and improvements	20,457,924	19,683,809
Vehicles and equipment	<u>400,837</u>	<u>406,277</u>
	<u>22,580,361</u>	<u>21,811,686</u>
	<b><u>\$23,444,992</u></b>	<b><u>\$23,325,941</u></b>

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

## LIABILITIES AND EQUITY

	<u>2008</u>	<u>2007</u>
<b>CURRENT LIABILITIES</b>		
Restricted:		
Interest payable on bonds	\$ 17,738	\$ 18,213
	<u>17,738</u>	<u>18,213</u>
Unrestricted:		
Accounts payable	-	35,031
Payable, intergovernmental	3,908	65,952
Current maturities of long-term debt	<u>106,411</u>	<u>91,077</u>
	<u>110,319</u>	<u>192,060</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>128,057</u>	<u>210,273</u>
<b>LONG-TERM DEBT (net of current maturities)</b>		
Bonds payable	2,415,000	2,505,000
Note payable – City utility	231,427	241,142
Other note payable	<u>25,738</u>	<u>37,873</u>
	<u>2,672,165</u>	<u>2,784,015</u>
<b>EQUITY</b>		
Contributed capital	18,955,833	18,816,205
Retained earnings:		
Unreserved	1,117,973	1,097,104
Reserved per revenue bond ordinance for:		
Current and future debt service	331,412	367,490
Airport depreciation	<u>239,552</u>	<u>50,854</u>
	<u>1,688,937</u>	<u>1,515,448</u>
<b>TOTAL EQUITY</b>	<u>20,644,770</u>	<u>20,331,653</u>
	 <u>\$23,444,992</u>	 <u>\$23,325,941</u>

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

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	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUE</b>		
Sales	\$1,659,176	\$1,497,622
Rentals	359,696	381,436
Sales tax revenue	<u>110,563</u>	<u>110,046</u>
	2,129,435	1,989,104
 <b>OPERATING EXPENSES</b>		
Fuel and oil	1,425,096	1,209,493
Salaries	222,234	226,965
Payroll taxes	16,586	16,661
Maintenance and repairs	62,710	70,891
Professional fees	16,800	21,050
Utilities	17,714	18,302
Insurance	41,027	49,427
Communications	5,821	5,887
Rental – equipment and land	1,741	335
Office expense	3,711	4,466
Supplies	2,019	5,073
Pension	9,395	9,928
Other	<u>28,383</u>	<u>303,813</u>
	<u>1,853,237</u>	<u>1,942,291</u>
 <b>OPERATING INCOME</b>	276,198	46,813
 <b>NON-OPERATING INCOME (EXPENSES)</b>		
Interest	13,299	7,248
Interest on bonds	(115,993)	(95,255)
Interest - other	<u>(15)</u>	<u>(15)</u>
	<u>(102,709)</u>	<u>(88,022)</u>
 <b>NET INCOME (LOSS)</b>	 <u>\$ 173,489</u>	 <u>\$ (41,209)</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, 2008 and 2007**

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	<u>Unreserved</u>	<u>Reserved</u>	<u>Total</u>
Balance, December 31, 2006	\$1,144,898	\$411,759	\$1,556,657
Net loss	(41,209)	-	(41,209)
Transfers	<u>(6,585)</u>	<u>6,585</u>	<u>-</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	<u>\$1,117,973</u>	<u>\$570,964</u>	<u>\$1,688,937</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**

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	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 173,489	\$ (41,209)
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	-	124,436
Change in assets and liabilities:		
(Increase) decrease in receivables	820,168	(388,509)
Increase (decrease) in interest payable	(475)	(5,173)
(Increase) decrease in inventory	33,084	(13,681)
Increase (decrease) in accounts payable	<u>(97,075)</u>	<u>(371,579)</u>
Total adjustments	<u>755,702</u>	<u>(654,506)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>929,191</u>	<u>(695,715)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	<u>(768,676)</u>	<u>(2,260,902)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(768,676)</u>	<u>(2,260,902)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term debt	-	105,000
Payments on long-term debt	(96,516)	(100,197)
Contributed capital	<u>139,628</u>	<u>3,058,228</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>43,112</u>	<u>3,063,031</u>
<b>NET INCREASE IN CASH</b>	203,627	106,414
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>572,924</u>	<u>466,510</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 776,551</u>	<u>\$ 572,924</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 116,943</u>	<u>\$ 100,932</u>

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

**West Memphis Municipal Airport**  
**NOTES TO FINANCIAL STATEMENTS**

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**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 five 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 hangers 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.

**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**

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**NOTE B - 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 C - LONG-TERM DEBT**

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

	<u>2008</u>	<u>2007</u>
Airport revenue bonds. The bonds are subject to redemption prior to maturity in inverse order of maturities beginning in 2008. Principal payments are due annually in increasing amounts over 20 years. Interest is payable semiannually. The bonds have various interest rates ranging from 3.80% to 4.45%. The bonds are special obligations of the airport and the City of West Memphis and are payable from and secured by a pledge of revenues of the airport remaining after payment of necessary and ordinary operating and maintenance costs.	\$2,505,000	\$2,580,000
Note payable to West Memphis Utility Commission payable in monthly installments of \$1500. Interest rate is 3.5% beginning in August, 2005. Maturity date is January, 2027.	241,142	250,523
Non interest bearing note payable in monthly installments of \$558, final payment due October, 2013, secured by equipment and improvements.	<u>32,434</u> 2,778,576	<u>44,569</u> 2,875,092
Less current portion	<u>106,411</u>	<u>91,077</u>
	<u>\$2,672,165</u>	<u>\$2,784,015</u>

Principal payments on long-term debt are as follows:

<u>Year Ending</u>	<u>Amount</u>
2009	\$ 106,411
2010	111,756
2011	112,114
2012	117,485
2013	121,822
Thereafter	<u>2,208,988</u>
	<u>\$2,778,576</u>

**West Memphis Municipal Airport**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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**NOTE D - 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 \$9,395 and \$9,928 for 2008 and 2007 respectively.

**NOTE E - GENERAL FIXED ASSETS**

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

	<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>

	<u>Balance</u> <u>12/31/06</u>	<u>Addition</u>	<u>Deduction</u>	<u>Balance</u> <u>12/31/07</u>
Land	\$ 1,721,600	\$ -	\$ -	\$ 1,721,600
Buildings	4,053,905	-	-	4,053,905
Improvements	13,369,002	2,260,902	-	15,629,904
Vehicles and equipment	<u>406,277</u>	<u>-</u>	<u>-</u>	<u>406,277</u>
	<u>\$19,550,784</u>	<u>\$2,260,902</u>	<u>\$ -</u>	<u>\$21,811,686</u>

**SUPPLEMENTARY INFORMATION**

**West Memphis Municipal Airport**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2008**

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<u>Federal Grantor/Pass through Grantor/ Disbursements/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Transportation <u>Federal Aviation Administration</u>		
Airport Improvement Program	20.106	<u>\$774,115</u>
		<u>\$774,115</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the West Memphis Municipal Airport and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the West Memphis Municipal Airport Commission  
West Memphis, Arkansas

**Compliance**

We have audited the compliance of the West Memphis Municipal Airport 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 each of its major federal programs for the year ended December 31, 2008. West Memphis Municipal Airport of the City of West Memphis, Arkansas' major federal programs are identified in the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the West Memphis Airport's management. Our responsibility is to express an opinion on the West Memphis Municipal Airport of the City of West Memphis, Arkansas' compliance based on our audits.

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 the OMB Circular A-133, *Audits of State, 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the West Memphis Municipal Airport of 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 West Memphis Municipal Airport of the City of West Memphis, Arkansas' compliance with those requirements.

In our opinion, the West Memphis Municipal Airport of the City of West Memphis, Arkansas complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

**Internal Control Over Compliance**

The management of the West Memphis Municipal Airport of the City of West Memphis, Arkansas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the West Memphis Municipal Airport of the City of West Memphis, Arkansas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the West Memphis Airport Commission, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

West Memphis, Arkansas  
September 30, 2009

*Jackson, Howell & Associates, PLLC*



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

To the West Memphis Municipal Airport Commission  
West Memphis, Arkansas

We have audited the financial statements of the West Memphis Municipal Airport of the City of West Memphis, Arkansas, as of and for the year ended December 31, 2008, and have issued our report thereon dated September 30, 2009. We conducted our audits 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 West Memphis Municipal Airport of the City of West Memphis, Arkansas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance**

As part of obtaining reasonable assurance about whether the West Memphis Municipal Airport of the City of West Memphis, Arkansas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non compliance 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the West Memphis Municipal Airport Commission, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

West Memphis, Arkansas  
September 30, 2009

*Jackson Howell & Associates, PLLC*

**West Memphis Municipal Airport**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2008**

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**Section I - Summary of Auditors' Results**

1. The auditors' report expresses a qualified opinion on the financial statements of West Memphis Municipal Airport.
2. No reportable conditions in the Report on Compliance and on Internal Control Over Financial Reporting were disclosed by the audit.
3. No instances of noncompliance material to the financial statements of the West Memphis Municipal Airport were disclosed during the audit.
4. No reportable conditions in internal control over major programs were disclosed by the audit.
5. The auditors' report on Compliance for the Major Federal Award Program for the West Memphis Municipal Airport expresses an unqualified opinion on the report.
6. There were no audits findings relative to the Major Federal Award Program for the West Memphis Municipal Airport.
7. The program tested as major was CFDA #20.106 - Airport Improvement Program.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. The West Memphis Municipal Airport did not qualify as a low-risk auditee.

**Section II - Financial Statement Findings**

There were no findings relating to the financial statements which are required to be reported in accordance with GAGAS.

**Section III - Federal Award Program Findings and Questioned Costs**

Reportable Conditions:

None

Prior year findings and questioned costs:

None

September 30, 2009