

Washington County, Arkansas

**Regulatory Book Financial Statements
and Other Reports**

December 31, 2009

LEGISLATIVE JOINT AUDITING COMMITTEE



WASHINGTON COUNTY, ARKANSAS
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Senate Chair
Rep. Tim Summers
House Chair
Sen. David Wyatt
Senate Vice Chair
Rep. Toni Bradford
House Vice Chair

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Washington County, Arkansas Officials and Quorum Court Members
Legislative Joint Auditing Committee

We have audited the accompanying regulatory basis financial statements of the general fund, road fund, and other funds in the aggregate of Washington County, Arkansas, as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the County'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 County 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 Washington County, Arkansas, as of December 31, 2009, or the changes in its financial position or where applicable, its cash flows, thereof for the year then ended. Further, the County has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The financial statements referred to above do not disclose all the required information concerning deposit risks, which should be included in order to conform with the regulatory basis of accounting described in Note 1(C).

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, road fund and other funds in the aggregate of Washington County, Arkansas, as of December 31, 2009, and the respective changes in the regulatory basis financial position, and the budgetary results for the general fund and road fund for the year then ended on the basis of accounting as described in Note 1(C).

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2011 on our consideration of the County'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 of Washington County, Arkansas. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Washington County, Arkansas. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, except for the effects on the financial information in the supporting schedules of the omission described above, such information is fairly stated in all material respects in relation to the financial statements taken as a whole. The supplementary information in the Schedule of Capital Assets required by the regulatory basis of presentation and the Schedule of Selected Information for the Last Five Years as listed in the table of contents as Schedules 3 and 4 are presented for the purpose of additional analysis. We have not applied auditing procedures to this information and, accordingly, we express no opinion on these schedules.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Roger A. Norman". The signature is written in a cursive, flowing style.

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

Little Rock, Arkansas
March 23, 2011
LOCO07209

Sen. Bill Pritchard
Senate Chair
Rep. Tim Summers
House Chair
Sen. David Wyatt
Senate Vice Chair
Rep. Toni Bradford
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

Washington County, Arkansas Officials and Quorum Court Members
Legislative Joint Auditing Committee

We have audited the accompanying regulatory basis financial statements of the general fund, road fund, and other funds in the aggregate of Washington County, Arkansas, as of and for the year ended December 31, 2009, and have issued our report thereon dated March 23, 2011. We issued an adverse opinion because the County 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 opinions on the general fund, road fund, and other funds in the aggregate 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 County'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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies to be material weaknesses:

2009-1 To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions should be distributed among appropriate employees. The County 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 County'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 County 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 cash transactions to the extent possible with the current staffing levels.

2009-2 Arkansas Code requires County management to maintain accurate financial records. The financial records contained omissions/errors that are considered material as enumerated below:

The Road Fund financial records contained misstatements in assets, liabilities, revenues, and expenditures in the amounts of \$162,877, \$14,197, \$519,649, and \$14,197, respectively, due to the failure to record accounts receivable and accounts payable and misclassification of revenues.

2009-2 (Continued)

The effect of these omissions and misstatements constitutes a significant control deficiency in the process of preparing financial records. County management should implement procedures to ensure that all transactions are properly recorded.

The County Judge has concurred with the above recommendation and has approved the appropriate entries to the financial records.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of the County'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the Internal Control over Financial Reporting section as item 2009-2.

The County's response to the findings identified in our audit is described above. We did not audit the County'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 County.

The commentary contained in this section relates to the following officials that held office during 2009:

County Judge: Marilyn Edwards
Treasurer: Roger Haney
Sheriff: Tim Helder
Tax Collector: David Ruff
County Clerk: Karen Combs-Pritchard
Circuit Clerk: Bette Stamps
County Librarian: Glenda Audrain

Our audit procedures indicated that the Offices of **County Judge, Treasurer, Sheriff, County Clerk, and County Librarian** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices was noted in the Offices of **Tax Collector and Circuit Clerk**.

Tax Collector

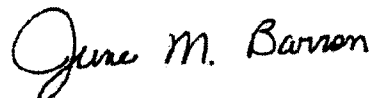
The final tax settlement again was not extended as a function of the Assessor's original charge valuation for the eighth consecutive year. The Tax Collector incorrectly utilized the actual collections/distributions as the basis for the final tax settlement.

Circuit Clerk

Prenumbered receipts were issued for items of revenue for the Circuit Clerk's fee account, but not at the location and time of collection.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local County 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
March 23, 2011

WASHINGTON COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 DECEMBER 31, 2009

	General	Road	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 28,959,738	\$ 2,673,836	\$ 21,458,065
Accounts receivable	1,762,839	739,799	1,743,903
Interfund receivables	245,475		
TOTAL ASSETS	\$ 30,968,052	\$ 3,413,635	\$ 23,201,968
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 929,104	\$ 615,488	\$ 853,455
Interfund payables		244,111	1,364
Settlements pending			11,342,403
Total Liabilities	929,104	859,599	12,197,222
Fund Balances:			
Reserved (Note 8)	1,776,371	2,554,036	11,004,746
Unreserved:			
Undesignated	28,262,577		
Total Fund Balances	30,038,948	2,554,036	11,004,746
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,968,052	\$ 3,413,635	\$ 23,201,968

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

WASHINGTON COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Road	Other Funds in the Aggregate
REVENUES			
State aid	\$ 2,165,759	\$ 3,062,068	\$ 471,121
Federal aid	200,447	1,034,902	645,356
Property taxes	12,454,187	1,080,272	1,588,982
Sales taxes	4,064,840	2,726,877	7,181,161
Fines, forfeitures, and costs	552,630		527,690
Interest	211,862	7,301	47,435
Officers' fees	1,088,255		1,769,818
Franchise taxes	205,613	365,165	
Jail fees	5,829		
911 fees			3,237,911
Insurance premiums collected	3,231,949		814,180
Treasurer's commission	248,206		
Collector's commission	1,022,534		16,169
Taxes apportioned - Assessor's salary and expense	1,576,369		32,052
Other	2,016,433	399,862	884,702
TOTAL REVENUES	<u>29,044,913</u>	<u>8,676,447</u>	<u>17,216,577</u>
Less: Treasurer's commission	412,648	147,190	311,641
NET REVENUES	<u>28,632,265</u>	<u>8,529,257</u>	<u>16,904,936</u>
EXPENDITURES			
Current:			
General government	14,605,753		3,011,223
Law enforcement	10,211,084		12,773,136
Highways and streets		7,830,756	150,211
Public safety	1,909,362		610,433
Sanitation	315,355		
Health	17,534		
Recreation and culture			166,302
Total Current	<u>27,059,088</u>	<u>7,830,756</u>	<u>1,886,388</u>
			<u>18,597,693</u>

WASHINGTON COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Road	Other Funds in the Aggregate
EXPENDITURES (CONTINUED)			
Debt Service:			
Bond principal			\$ 185,000
Bond interest and other charges			267,575
Principal reduction on note		\$ 531,983	
Note interest and other charges		13,338	
TOTAL EXPENDITURES	<u>\$ 27,059,088</u>	<u>8,376,077</u>	<u>19,050,268</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,573,177</u>	<u>153,180</u>	<u>(2,145,332)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,344,239		58,806
Transfers out	<u>(58,806)</u>	<u>(7,950)</u>	<u>(1,336,289)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,285,433</u>	<u>(7,950)</u>	<u>(1,277,483)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,858,610	145,230	(3,422,815)
FUND BALANCES - JANUARY 1	<u>27,180,338</u>	<u>2,408,806</u>	<u>14,427,561</u>
FUND BALANCES - DECEMBER 31	<u>\$ 30,038,948</u>	<u>\$ 2,554,036</u>	<u>\$ 11,004,746</u>

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

WASHINGTON COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND ROAD FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 2,311,669	\$ 2,165,759	\$ (145,910)	\$ 3,186,664	\$ 3,062,068	\$ (124,596)
Federal aid	77,988	200,447	122,459	25,000	1,034,902	1,009,902
Property taxes	13,066,175	12,454,187	(611,988)	1,204,447	1,080,272	(124,175)
Sales taxes	4,632,075	4,064,840	(567,235)	3,088,050	2,726,877	(361,173)
Fines, forfeitures, and costs	689,700	552,630	(117,070)			
Interest	750,000	211,862	(538,138)	95,000	7,301	(87,699)
Officers' fees	1,015,500	1,088,255	72,755			
Franchise taxes	125,000	205,613	80,613			
Jail fees		5,829	5,829			
Insurance premiums collected	2,208,416	3,231,949	1,023,533			
Treasurer's commission	293,401	248,206	(45,195)			
Collector's commission	1,154,170	1,022,534	(131,636)			
Taxes apportioned - Assessor's salary and expense	2,030,297	1,576,369	(453,928)			
Other	1,051,803	2,016,433	964,630	544,600	399,862	(144,738)
TOTAL REVENUES	29,386,194	29,044,913	(341,281)	8,143,761	8,676,447	532,686
Less: Treasurer's commission	402,000	412,648	(10,648)	150,000	147,190	2,810
NET REVENUES	28,984,194	28,632,265	(351,929)	7,993,761	8,529,257	535,496
EXPENDITURES						
Current:						
General government	28,772,546	14,605,753	14,166,793			
Law enforcement	11,052,449	10,211,084	841,365			
Highways and streets				10,352,101	7,830,756	2,521,345
Public safety	1,983,045	1,909,362	73,683			
Sanitation	313,077	315,355	(2,278)			
Health	27,635	17,534	10,101			
Total Current	42,148,752	27,059,088	15,089,664	10,352,101	7,830,756	2,521,345

WASHINGTON COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND ROAD FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	General		Variance Favorable (Unfavorable)	Road		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
EXPENDITURES (CONTINUED)						
Debt Service:						
Principal reduction on note				\$ 531,983	\$ (531,983)	
Note interest and other charges				13,338	(13,338)	
TOTAL EXPENDITURES	\$ 42,148,752	\$ 27,059,088	\$ 15,089,664	\$ 8,376,077	1,976,024	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,164,558)	1,573,177	14,737,735	(2,358,340)	2,511,520	
OTHER FINANCING SOURCES (USES)						
Transfers in	2,071,466	1,344,239	(727,227)			
Transfers out		(58,806)	(58,806)	(7,950)	(7,950)	
TOTAL OTHER FINANCING SOURCES (USES)	2,071,466	1,285,433	(786,033)	(7,950)	(7,950)	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(11,093,092)	2,858,610	13,951,702	(2,358,340)	2,503,570	
FUND BALANCES - JANUARY 1	19,894,930	27,180,338	7,285,408	2,408,806	308,806	
FUND BALANCES - DECEMBER 31	\$ 8,801,838	\$ 30,038,948	\$ 21,237,110	\$ 2,554,036	\$ 2,812,376	

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

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The County is a political subdivision of the state governed by an elected quorum court. The reporting entity includes all the funds of the County.

B. Basis of Presentation - Regulatory Fund Accounting

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 road 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 actual expenditures for the general and road 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 the primary operating fund and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund heading as it appears in the financial statements includes the following accounts: General, Treasurer, Collector, Assessor, Central Supply, Drug-Buy, Blue Cross/Blue Shield Employee Self-Insurance, and Historic Courthouse Renovation.

Road Fund - The Road Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for maintaining and constructing county roads.

Other Funds in the Aggregate - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Road Funds. The following types of funds are included in this column as follows:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following Special Revenue Funds are reported with other funds in the aggregate: Emergency 911, HIV Clinic, Community Grants, Jail Operations Sales Tax, County Recorder's Cost, High Intensity Drug Trafficking Area (HIDTA) Grant, County Clerk's Cost, Sheriff's Communication Facility and Equipment, Juvenile Counsel Fee, Support Collection Cost, Treasurer's Automation, Law Enforcement Grants, Drug Court Program, Drug Court Grant, Rural Community Grant, Collector's Automation, County Clerk's Recorder and Automation Cost, Court Automation, Fire Marshall Grants, Office of Emergency Services Grant, Homeland Security Grant, County Library, and Federal Emergency Management Agency (FEMA).

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The following Capital Projects Fund is reported with other funds in the aggregate: Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The following Debt Service Fund is reported with other funds in the aggregate: Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Regulatory Fund Accounting (Continued)

Other Funds in the Aggregate (Continued)

Agency Funds - Agency Funds are used to account for assets held by the entity as an agent for individuals, private organizations, other governmental units, and other funds. The following Agency Funds are reported with other funds in the aggregate: County Judge's accounts (Juvenile Detention Center and Petty Cash/Change); County Treasurer's accounts (Law Library, Flexible Spending, Arkansas Community and Economic Development Program (ACDEP) Water Project, Common School, Timberland, Checking Interest, Northwest Arkansas Regional Hazardous Materials Response Team (HAZMAT), Treasurer's Operating, Collector's Operating, Assessor's Operating, Sloan Improvement District, and Unclaimed Property Act); Collector's accounts (Current/Delinquent Tax, Escrow and Cash Change); Sheriff's accounts (Fee, Felony Bond, and Execution); County Clerk's accounts (Fee and Trust); Circuit Clerk's accounts (Fee, Advanced Cost, Child Support, Circuit Fines and Costs – Adult and Juvenile, and Change); and Assessor account (Change).

C. Basis of Accounting

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 except for Treasurer's and Collector's commission and Taxes apportioned – Assessor's salary and expense which are recognized when earned. 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.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, and excess commissions/salary and expenses and interest received that have not been transferred to the appropriate entities.

Fund Balance

1. Reserved Fund Balance indicates that portion of fund balance that is not appropriable for expenditure or is legally segregated for a specific future use.
2. Undesignated Fund Balance indicates that portion of fund balance not reserved or designated.

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 10.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budget Law

1. Legal Requirements

State law requires that the Quorum Court, before the end of each fiscal year, make appropriations, by ordinance, for the expenditures of County government for the following year. The Quorum Court may make appropriation amendments at any time during the current fiscal year. Appropriations lapse at the end of each year. Under certain conditions, the budget may be amended subsequent to the year-end.

2. Accounting

The County prepared an annual budget on the regulatory basis for the General Fund, Road Fund, and the other Special Revenue Funds.

NOTE 2: Cash

Deposit 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

State law generally requires that county funds be deposited in federally insured banks located in the State of Arkansas. The County deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations the principal and interest on which are fully guaranteed by the United States of America.

NOTE 4: Accounts Receivable

The accounts receivable balance at December 31, 2009 is composed of the following:

Description	General Fund	Road Fund	Other Funds in the Aggregate
State aid	\$ 170,911	\$ 232,371	\$ 59,964
Federal aid	3,044		198,257
Property taxes	159,890	20,547	18,387
Sales taxes	325,911	234,258	575,908
Fines, forfeitures, and costs	33,387		41,590
Interest	6,827	537	1,401
Officers' fees	99,013		140,766
Franchise taxes	41,466	89,081	
911 fees			55,937
Jail fees	9,071		217,240
Insurance premiums collected	2,276		
Treasurer's commission			13,169
Other	911,043	163,005	401,101
Transfer in			20,183
Totals	\$ 1,762,839	\$ 739,799	\$ 1,743,903

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 5: Accounts Payable

The accounts payable balance at December 31, 2009 is composed of the following:

Description	General Fund	Road Fund	Other Funds in the Aggregate
Vendor payables	\$ 692,106	\$ 605,986	\$ 774,984
Other	236,998	9,502	78,471
Totals	\$ 929,104	\$ 615,488	\$ 853,455

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2009	
	Interfund Receivables	Interfund Payables
General Fund	\$ 245,475	
Road Fund		\$ 244,111
Other Funds in the Aggregate: Special Revenue Fund: County Library		1,364
Totals	\$ 245,475	\$ 245,475

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances are expected to be repaid during the next five years. County General loaned County Road \$300,000 for the purchase of a quarry lease, which was amortized over five years (2009 – 2013) with interest of \$24,266. Due to an error, County Road and County Library also owed County General \$1,014 and \$1,364, respectively.

NOTE 7: Legal Debt Limit

A. Bonded Debt

The County is subject to a constitutional limitation for bonded indebtedness equal to 10% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2009, the legal debt limit for bonded debt was \$304,453,245. There were no property tax secured bond issues.

B. Short-Term Financing Obligations

The County is subject to a constitutional limitation for short-term financing obligations equal to 2.5% of the assessed value of taxable property within the County as determined by the last tax assessment. At December 31, 2009, the legal debt limit for short-term financing obligations was \$79,093,986. The amount of short-term financing obligations was \$100,499, leaving a legal debt margin of \$78,993,487.

WASHINGTON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 8: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2009
<u>General</u>	
Blue Cross/Blue Shield Self-Insurance	\$ 1,776,371
<u>Road</u>	\$ 2,554,036
<u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
Emergency 911	\$ 622,565
HIV Clinic	71,743
Jail Operations Sales Tax	2,679,206
County Recorder's Cost	1,057,754
High Intensity Drug Trafficking Area (HIDTA) Grant	6
County Clerk's Cost	27,895
Sheriff's Communication Facility and Equipment	345,354
Juvenile Counsel Fee	15,167
Support Collection Cost	876
Treasurer's Automation	17,304
Law Enforcement Grants	385,128
Drug Court Program	13,425
Rural Community Grant	16,834
Collector's Automation	209,771
County Clerk's Recorder and Automation Cost	626,254
Court Automation	115,037
Office of Emergency Services Grants	2,427
Homeland Security Grant	36,207
County Library	999,604
Federal Emergency Management Agency	158,426
Total Special Revenue	7,400,983
Capital Projects Fund:	
Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds	2,892,254
Debt Service Fund:	
Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds	711,509
 Total Other Funds in the Aggregate	\$ 11,004,746

WASHINGTON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 9: Commitments

Total commitments consist of the following at December 31, 2009:

	December 31, 2009
Long-Term Liabilities	\$ 6,250,202
Noncancellable Lease	91,602
Construction Contracts	5,078,683
Professional Services Contract	1,098,667
Total Commitments	\$ 12,519,154

Long-Term Liabilities

Long-Term liabilities at December 31, 2009 are comprised of the following:

	December 31, 2009
Washington County Ordinance no. 08-53 (October 9, 2008) approved the issuance of Washington County, Arkansas - Capital Improvement Revenue Bonds (Historic Courthouse Project), Series 2008 in the amount of \$5,600,000, bearing interest at 3.0% - 5.3% per annum, with scheduled maturities of November 1st in each of the years 2009 through 2028. Payments are to be made from the Historic Courthouse Project Fund. The fines and court costs currently imposed for collection in criminal and juvenile cases by the Washington County Circuit Courts are pledged to the payment of the bonds, until all outstanding bonds, with interest thereon, have been paid in full or provision for such payments.	\$ 5,415,000
Washington County Ordinance no. 07-12 (March 8, 2007) authorized the issuance and sale of General Revenue Promissory Notes (Crusher Project), Series 2007 for the purchase of land and road equipment in the amount of \$267,241, bearing interest at 4.80% per annum, with accrued interest and principal paid monthly on the amount of the outstanding principal balance until May 21, 2011. Payments are to be made from the Road Fund.	100,499
Compensated Absences	734,703
Total Long-Term Liabilities	\$ 6,250,202

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

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 9: Commitments (Continued)

Debt Service Requirements to Maturity

The County is obligated for the following amounts at December 31, 2009:

<u>Years Ending December 31,</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total</u>
2010	\$ 449,125	\$ 73,675	\$ 522,800
2011	448,425	30,698	479,123
2012	451,795		451,795
2013	449,108		449,108
2014	450,813		450,813
2015 through 2019	2,244,067		2,244,067
2020 through 2024	2,245,850		2,245,850
2025 through 2028	1,794,650		1,794,650
Total Obligations	<u>8,533,833</u>	<u>104,373</u>	<u>8,638,206</u>
Less Interest	<u>3,118,833</u>	<u>3,874</u>	<u>3,122,707</u>
Total Principal	<u>\$ 5,415,000</u>	<u>\$ 100,499</u>	<u>\$ 5,515,499</u>

Noncancellable Lease

The County entered into a noncancellable lease agreement for 911 equipment on September 14, 2005. Terms of the lease are annual rental payments of \$91,602 for five years. The County is obligated for the following amount for the next year:

<u>Year</u>	<u>December 31, 2009</u>
2010	<u>\$ 91,602</u>

Rental expense for 2009 was \$91,602.

Construction Contracts

The County was contractually obligated for the following construction contracts at December 31, 2009:

<u>Project Name</u>	<u>Completion Date</u>	<u>Contract Balance December 31, 2009</u>
Washington County Parking Deck Construction Contracts	April, 2011	\$ 3,693,148
Washington County Historic Courthouse Renovation	August, 2010	<u>1,385,535</u>
Total Construction Contracts		<u>\$ 5,078,683</u>

Professional Service Contract

The County entered into a professional services contract for \$3,296,000 with Arkansas CAMA Technology for real estate appraisal and appraisal maintenance on December 28, 2007. Terms of the contract were 36 payments of \$91,556 each with a prorated reduction of \$3,333 on those payments for the cost of the County's licensing agreement with Pictometry Software. The County is obligated for the unpaid balance of \$1,098,667 as of December 31, 2009.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 10: Interfund Transfers

The General Fund transferred \$58,806 to Other Funds in the Aggregate to supplement the budget of the Law Enforcement Grants Fund with \$20,000 and the HIV Clinic Fund with \$38,806. The General Fund received \$7,950 from the Road Fund as interest on an interfund quarry note and \$1,336,289 from Other Funds in the Aggregate, including \$825,155 from the Recorder's Cost Fund transferred as excess funds, \$424,562 from the FEMA Fund for federal funds expended from the General Fund, \$54,778 from the Fire Marshall Grants Fund, \$12,253 from the Office of Emergency Services Grant Fund, \$17,661 from the Drug Court Grant Fund, and \$1,880 from the Community Grants Fund.

NOTE 11: Subsequent Events

On April 8, 2010, the County entered into a construction contract with Crossland Construction Co., Inc., for the construction of the Washington County Coroner's Office for \$373,000. Subsequent change orders increased this contract amount to \$394,000.

On July 30, 2010, the County entered into a contract with SSI, Inc., of Northwest Arkansas to construct a Sheriff's Training Facility for \$522,397. Subsequent change orders increased this contract amount to \$550,096.

On February 22, 2011, the County entered into a contract with AFHJ Architects to design the Washington County Animal Shelter with a budget of \$1,050,000 with the architect compensated as 8.35% of construction cost.

NOTE 12: Risk Management

The County 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 County participates in the Association of Arkansas Counties Program (public entity risk pools) for coverage in the following areas:

Workers' Compensation - This program provides statutory benefits for losses incurred by County officials, employees, and volunteer fire fighters while performing work for the County. Rates for counties participating in this program are revised annually based on the cost experience of the particular county or group as determined by the Workers' Compensation Commission.

Vehicle Program

A. **Liability** - This program may pay all sums the County legally must pay as damages because of bodily injury, death, or property damage to which this agreement applies involving a covered county vehicle and for which the County is liable. The limit of payment by the program is \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident, and \$25,000 for property damage per accident. The County shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered county vehicles owned or leased by the County.

B. **Physical Damage** - This program covers vehicles (excluding mobile equipment) which are the property of the participating county. 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 \$500 per occurrence. The County agrees to pay into the program each year a service charge established annually by the Risk Management Fund Board for covered property.

General Liability Program - The program shall provide legal defense in civil rights suits against the county government of a participating county and pay judgments imposed on County officials and employees and the county government and county-formed boards and commissions. Coverage is limited to \$350,000 per case with an annual aggregate of \$500,000. The County agrees to pay into the program each year a rate established by the Risk Management Fund Board. Each county also agrees to pay the first \$500 of the aggregate cost for all expenses on each lawsuit.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 12: Risk Management (Continued)

The County 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 County Aid Fund. There is a \$1,000 deductible per occurrence.

NOTE 13: Arkansas Public Employees Retirement System

Plan Description

The County contributes to the Arkansas Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS 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 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 14: Self-Insured Benefits

The County provides an insurance benefits plan for employees on a self-insured basis. BlueAdvantage Administrators of Arkansas is currently the third-party administrator, which provides claims administration/adjudication services for a set monthly fee based on the number of covered employees. As of December 31, 2009, the balance in the account was \$1,776,371 and is reflected in the financial statements as the General Fund's reserved fund balance. To safeguard against catastrophic claims expenses, the County also maintains a reinsurance policy with American Fidelity Assurance Company which will fund individual claims that exceed \$150,000 per occurrence.

NOTE 15: Joint Venture

Washington County and the City of Springdale entered into an interlocal agreement for the "County" Bomb Team. The County received a total of \$1,261,400 for equipment for use by the City of Springdale Bomb Team that services the entire County. The County is to maintain the equipment in their inventory for three years after the grant's closure date. The equipment was agreed to then be remitted to the City of Springdale upon the expiration of that time period. The official grant closure date for the fiscal year 2002 Grant – Phase 1 was July 28, 2006 for \$761,400 in equipment. The official grant closure date for the fiscal year 2003 Grant – Phase 2 was April 2, 2008 for \$500,000 worth of equipment. Subsequently, on February 22, 2010, the City of Bentonville agreed to take the bomb squad property and personnel and bomb squad mission with Washington County remaining as the property owner.

NOTE 16: Joint Venture: Boston Mountain Solid Waste District

Washington, Madison, Carroll, and Benton Counties entered into an agreement in April 1991 to form the Four-County (NW) Solid Waste Management District in accordance with Ark. Code Ann. § 8-6-707. This agreement stated that their emphasis would be on recycling, composting, and waste reduction. In February 2005, only Washington and Madison Counties remained in the agreement and the name was changed to Boston Mountain Solid Waste District. Washington County paid \$20,806 to the Solid Waste District during 2009. Separate financial statements of the District may be obtained at: 11398 Bond Road, Prairie Grove, AR 72752.

NOTE 17: Contract for Law Enforcement Services

The City of Tontitown has contracted with Washington County to provide law enforcement services to the City on a reimbursement basis. The City reimbursed the County \$253,493 during 2009.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 18: Pledged Revenues

Fines and Court Costs in Criminal and Juvenile Matters – Circuit Court

The County has pledged future revenues received by the County that are derived from the payment of fines (including fines in the nature of restitution) and court costs collected in the criminal and juvenile matters by the Circuit Courts (including any successor courts bearing such matters) in the County that remain after the payment of prior claims that the County is legally obligated to make from such funds (the "Prior Claims") to repay \$5,600,000 in bonds that were delivered on November 19, 2008 to provide funding for the purpose of financing the costs of renovating, furnishing, and equipping of the historic courthouse. Total principal and interest remaining on the bonds is \$5,415,000 and \$3,118,833, respectively, payable through November 1, 2028. For the current year, principal of \$185,000 and interest of \$267,575 were paid.

The Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds Debt Service Fund received a total of \$456,952 from these revenue sources in 2009. Any revenues collected in excess of the debt service requirements may be used at the option of the County for administration of justice purposes.

Part of the future pledged revenues are juvenile fees that may not be eligible to be pledged due to the restrictions placed on such by Ark. Code Ann. § 16-13-326. These funds, in the amount of \$11,905 for 2009, were deposited into the Juvenile Counsel Fee Fund rather than the fund designated in the Bond Agreement and Washington County Ordinance no. 2008-53 (October 9, 2008) and were not used to fund the debt or interest payments of the Capital Improvement Revenue Bonds Series 2008 (Historic Courthouse Project) bond issue.

WASHINGTON COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2009

SPECIAL REVENUE FUNDS

	Emergency 911	HIV Clinic	Jail Operations Sales Tax	County Recorder's Cost	High Intensity Drug Trafficking Area (HIDTA) Grant	County Clerk's Cost	Sheriffs Communication Facility and Equipment	Juvenile Counsel Fee
ASSETS								
Cash and cash equivalents	\$ 629,887	\$ 68,984	\$ 1,983,463	\$ 989,162	\$ 6	\$ 27,574	\$ 312,210	\$ 14,421
Accounts receivable	69,230	3,113	988,094	146,646	40,120	321	36,679	746
TOTAL ASSETS	\$ 699,117	\$ 72,097	\$ 2,951,557	\$ 1,135,808	\$ 40,126	\$ 27,895	\$ 348,889	\$ 15,167
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 76,552	\$ 354	\$ 272,351	\$ 78,054	\$ 40,120		\$ 3,535	
Interfund payables								
Settlements pending								
Total Liabilities	76,552	354	272,351	78,054	40,120		3,535	
Fund Balances:								
Reserved (Note 8)	622,565	71,743	2,679,206	1,057,754	6	27,895	345,354	15,167
TOTAL LIABILITIES AND FUND BALANCES	\$ 699,117	\$ 72,097	\$ 2,951,557	\$ 1,135,808	\$ 40,126	\$ 27,895	\$ 348,889	\$ 15,167

WASHINGTON COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2009

SPECIAL REVENUE FUNDS

	Support Collection Cost	Treasurer's Automation	Law Enforcement Grants	Drug Court Program	Rural Community Grant	Collector's Automation	County Clerk's Recorder and Automation Cost
ASSETS							
Cash and cash equivalents	\$ 347	\$ 9,196	\$ 360,907	\$ 11,429	\$ 16,455	\$ 215,731	\$ 552,131
Accounts receivable	620	13,171	25,383	1,996	409	40	74,502
TOTAL ASSETS	967	22,367	386,290	13,425	16,864	215,771	626,633
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 91	\$ 5,063	\$ 1,162	\$	\$ 30	\$ 6,000	\$ 379
Interfund payables							
Settlements pending							
Total Liabilities	91	5,063	1,162		30	6,000	379
Fund Balances:							
Reserved (Note 8)	876	17,304	385,128	13,425	16,834	209,771	626,254
TOTAL LIABILITIES AND FUND BALANCES	967	22,367	386,290	13,425	16,864	215,771	626,633

WASHINGTON COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2009

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUND	DEBT SERVICE FUND
	Court Automation	Office of Emergency Services Grant	Homeland Security Grant	County Library	Federal Emergency Management Agency	Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds - Capital Projects	Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds - Debt Service
ASSETS							
Cash and cash equivalents	\$ 112,471	\$ 2,425	\$ 36,198	\$ 838,465	\$ 289	\$ 3,259,918	\$ 673,993
Accounts receivable	2,645	2	9	164,524	158,137		37,516
TOTAL ASSETS	\$ 115,116	\$ 2,427	\$ 36,207	\$ 1,002,989	\$ 158,426	\$ 3,259,918	\$ 711,509
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 79			\$ 2,021		\$ 367,664	
Interfund payables				1,364			
Settlements pending							
Total Liabilities	79			3,385		367,664	
Fund Balances:							
Reserved (Note 8)	115,037	\$ 2,427	\$ 36,207	999,604	\$ 158,426	2,892,254	\$ 711,509
TOTAL LIABILITIES AND FUND BALANCES	\$ 115,116	\$ 2,427	\$ 36,207	\$ 1,002,989	\$ 158,426	\$ 3,259,918	\$ 711,509

WASHINGTON COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2009

AGENCY FUNDS

	Treasurer's Accounts	Collector's Accounts	Sheriff's Accounts	County Clerk's Accounts	Circuit Clerk's Accounts	Assessor	County Judge	Totals
ASSETS								
Cash and cash equivalents	\$ 6,264,463	\$ 1,387,862	\$ 252,537	\$ 134,652	\$ 3,302,329	\$ 150	\$ 410	\$ 21,458,065
Accounts receivable								1,743,903
TOTAL ASSETS	\$ 6,264,463	\$ 1,387,862	\$ 252,537	\$ 134,652	\$ 3,302,329	\$ 150	\$ 410	\$ 23,201,968
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable								\$ 853,455
Interfund payables								1,364
Settlements pending	\$ 6,264,463	\$ 1,387,862	\$ 252,537	\$ 134,652	\$ 3,302,329	\$ 150	\$ 410	11,342,403
Total Liabilities	<u>6,264,463</u>	<u>1,387,862</u>	<u>252,537</u>	<u>134,652</u>	<u>3,302,329</u>	<u>150</u>	<u>410</u>	<u>12,197,222</u>
Fund Balances:								
Reserved (Note 8)	\$ 6,264,463	\$ 1,387,862	\$ 252,537	\$ 134,652	\$ 3,302,329	\$ 150	\$ 410	11,004,746
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,264,463	\$ 1,387,862	\$ 252,537	\$ 134,652	\$ 3,302,329	\$ 150	\$ 410	\$ 23,201,968

WASHINGTON COUNTY, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

SPECIAL REVENUE FUNDS

	Emergency 911	HIV Clinic	Community Grants	Jail Operations Sales Tax	County Recorder's Cost	High Intensity Drug Trafficking Area (HIDTA) Grant	County Clerk's Cost	Sheriff's Communication Facility and Equipment	Juvenile Counsel Fee
REVENUES									
State aid									
Federal aid									
Property taxes				\$ 7,181,161		\$ 150,834			
Sales taxes									
Fines, forfeitures, and costs			8	12,170	5,506	5	99	1,994	\$ 11,033
Interest	\$ 1,415	\$ 415	\$ 8		\$ 1,520,851		3,986	76,316	33
Officers' fees				3,237,911					
Jail fees	814,180								
911 fees									
Treasurer's commission									
Collector's commission									
Other									
TOTAL REVENUES	13,581	152,630		285,209	26,828		65	241,736	188
Less: Treasurer's commission	829,176	153,045	8	10,716,451	1,553,185	150,839	4,150	320,046	11,254
	16,456	9		209,377	30,138		82	5,749	239
NET REVENUES	812,720	153,036	8	10,507,074	1,523,047	150,839	4,068	314,297	11,015
EXPENDITURES									
Current:									
General government					768,563				
Law enforcement				11,974,271		150,834		467,154	
Highways and streets									
Public safety									
Health	577,421	166,302							
Recreation and culture									
Total Current	577,421	166,302		11,974,271	768,563	150,834		467,154	
Debt Service:									
Bond principal									
Bond interest and other charges									
TOTAL EXPENDITURES	577,421	166,302		11,974,271	768,563	150,834		467,154	

WASHINGTON COUNTY, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009
 Schedule 2

SPECIAL REVENUE FUNDS											
	Emergency 911	HIV Clinic	Community Grants	Jail Operations Sales Tax	County Recorder's Cost	High Intensity Drug Trafficking Area (HIDTA) Grant	County Clerk's Cost	Sheriff's Communication Facility and Equipment	Juvenile Counsel Fee		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 235,299	\$ (13,266)	\$ 8	\$ (1,467,197)	\$ 754,484	\$ 5	\$ 4,068	\$ (152,857)	\$ 11,015		
OTHER FINANCING SOURCES (USES)											
Transfers in											
Transfers out	38,806		(1,880)		(825,155)						
TOTAL OTHER FINANCING SOURCES (USES)	38,806		(1,880)		(825,155)						
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	235,299	25,540	(1,872)	(1,467,197)	(70,671)	5	4,068	(152,857)	11,015		
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	387,266	46,203	1,872	4,146,403	1,128,425	1	23,827	498,211	4,152		
Restatement adjustment											
FUND BALANCES - JANUARY 1, AS RESTATED	387,266	46,203	1,872	4,146,403	1,128,425	1	23,827	498,211	4,152		
FUND BALANCES - DECEMBER 31	\$ 622,565	\$ 71,743	\$ 0	\$ 2,679,206	\$ 1,057,754	\$ 6	\$ 27,895	\$ 345,354	\$ 15,167		

WASHINGTON COUNTY, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

SPECIAL REVENUE FUNDS

	Support Collection Cost	Treasurer's Automation	Law Enforcement Grants	Drug Court Program	Drug Court Grant	Rural Community Grant	Collector's Automation	Recorder and Automation Cost	County Clerk's Recorder and Automation Cost	Court Automation
REVENUES										
State aid			\$ 13,484							
Federal aid			229,850							
Property taxes										
Sales taxes										
Fines, forfeitures, and costs			26,652	\$ 13,468						\$ 19,565
Interest	\$ 33	\$ 56	829	7	\$ 66	\$ 68	\$ 891	\$ 4,904		950
Officers' fees	24,357		47,155					97,153		
Jail fees										
911 fees										
Treasurer's commission		16,169				4,222			67,849	313
Collector's commission	392				81		32,052			
Other										
TOTAL REVENUES	24,782	16,225	319,789	13,658	147	4,290	32,952	169,906		20,848
Less: Treasurer's commission	491		1,668	233	1	85		2,033		398
NET REVENUES	24,291	16,225	318,121	13,425	146	4,205	32,952	167,873		20,450
EXPENDITURES										
Current:										
General government	29,433	13,235				10,827	66,534	31,460		2,012
Law enforcement			146,308							
Highways and streets										
Public safety										
Health										
Recreation and culture										
Total Current	29,433	13,235	146,308			10,827	66,534	31,460		2,012
Debt Service:										
Bond principal										
Bond interest and other charges										
TOTAL EXPENDITURES	29,433	13,235	146,308			10,827	66,534	31,460		2,012

WASHINGTON COUNTY, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

SPECIAL REVENUE FUNDS

		Support Collection Cost	Treasurer's Automation	Law Enforcement Grants	Drug Court Program	Drug Court Grant	Rural Community Grant	Collector's Automation	Recorder and Automation Cost	County Clerk's Automation Cost	Court Automation
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		\$ (5,142)	\$ 2,990	\$ 171,813	\$ 13,425	\$ 146	\$ (6,622)	\$ (33,582)	\$ 136,413	\$ 136,413	\$ 18,438
OTHER FINANCING SOURCES (USES)				20,000							
Transfers in						(17,661)					
Transfers out				20,000		(17,661)					
TOTAL OTHER FINANCING SOURCES (USES)				20,000		(17,661)					
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		(5,142)	2,990	191,813	13,425	(17,515)	(6,622)	(33,582)	136,413	136,413	18,438
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED		6,018	14,314	193,315		17,515	23,456	243,353	489,841	489,841	96,599
Restatement adjustment											
FUND BALANCES - JANUARY 1, AS RESTATED		6,018	14,314	193,315	0	17,515	23,456	243,353	489,841	489,841	96,599
FUND BALANCES - DECEMBER 31		\$ 876	\$ 17,304	\$ 385,128	\$ 13,425	\$ 0	\$ 16,834	\$ 209,771	\$ 626,254	\$ 626,254	\$ 115,037

WASHINGTON COUNTY, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUND	DEBT SERVICE FUND	Totals
	Fire Marshall Grants	Office of Emergency Services Grant	Homeland Security Grant	County Library	Federal Emergency Management Agency			
REVENUES								
State aid				\$ 386,490	\$ 71,147			\$ 471,121
Federal aid					201,125			645,356
Property taxes				1,588,982				1,588,982
Sales taxes								7,181,161
Fines, forfeitures, and costs	206	54	140	2,197	1,188	11,854	456,952	527,690
Interest							2,347	47,435
Officers' fees								1,769,818
Jail fees								3,237,911
Treasurer's commission								814,180
Collector's commission								16,169
Other								32,052
	1,000	1	3	88,593				884,702
TOTAL REVENUES	1,206	10,055	53,690	2,066,262	273,460	11,854	459,299	17,216,577
Less: Treasurer's commission	5	2	4	35,268			9,403	311,641
NET REVENUES	1,201	10,053	53,686	2,030,994	273,460	11,854	449,896	16,904,936
EXPENDITURES								
Current:								
General government								3,011,223
Law enforcement			32,557					12,773,136
Highways and streets					150,211			150,211
Public safety		13,333	19,679					610,433
Health								166,302
Recreation and culture								1,886,388
Total Current		13,333	52,236	1,886,388	150,211			18,597,693
Debt Service:								
Bond principal								185,000
Bond interest and other charges								267,575
TOTAL EXPENDITURES		13,333	52,236	1,886,388	150,211	2,091,171	452,575	19,050,268

WASHINGTON COUNTY, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	SPECIAL REVENUE FUNDS				CAPITAL	DEBT SERVICE
	Fire Marshall Grants	Office of Emergency Services Grant	Homeland Security Grant	County Library	PROJECTS FUND	FUND
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,201	\$ (3,280)	\$ 1,450	\$ 144,606	\$ (2,079,317)	\$ (2,679)
OTHER FINANCING SOURCES (USES)						
Transfers in	(54,778)	(12,253)				58,806
Transfers out	(54,778)	(12,253)				(1,336,289)
TOTAL OTHER FINANCING SOURCES (USES)	(53,577)	(15,533)	1,450	144,606	(2,079,317)	(3,422,815)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	53,577	17,960	34,757	854,998		14,427,561
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED						
Restatement adjustment					4,971,571	(4,971,571)
FUND BALANCES - JANUARY 1, AS RESTATED	53,577	17,960	34,757	854,998	4,971,571	714,188
FUND BALANCES - DECEMBER 31	\$ 0	\$ 2,427	\$ 36,207	\$ 999,604	\$ 2,892,254	\$ 711,509
						\$ 11,004,746

WASHINGTON COUNTY, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2009

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

Fund Name	Fund Description
Emergency 911	Ark. Code Ann. § 12-10-318 established fund to receive fees collected by telephone providers for 911 emergency services.
HIV Clinic	Fund originally established to account for state and local grants. Now supported by health insurance proceeds and local contributions.
Community Grants	Fund established to account for local grants.
Jail Operations Sales Tax	Washington County Ordinance no. 2002-12 (March 26, 2002) established 1/4% sales tax for the maintenance and operation of the Jail and Sheriff's facilities.
County Recorder's Cost	Ark. Code Ann. § 21-6-306 established fund to receive fees collected by Circuit Clerk to be used for automated record systems and any legitimate county purpose.
High Intensity Drug Trafficking Area (HIDTA) Grant	Federal funds received for High Intensity Drug Trafficking Area.
County Clerk's Cost	Ark. Code Ann. § 16-20-407 established a \$2 marriage license fee to be used for county clerk cost.
Sheriff's Communication Facility and Equipment	Ark. Code Ann. §§ 21-6-307, 12-41-105 established fund to receive 25% of Sheriff's fees collected and phone commission funds to be used for communications equipment and repair and to train operations staff.
Juvenile Counsel Fee	Ark. Code Ann. § 16-13-326 established fund to collect juvenile fees and provide services and supplies to juveniles at the discretion of the juvenile division of circuit court.
Support Collection Cost	Ark. Code Ann. § 9-10-109 established fund to receive fees to offset administrative costs in the clerk's office.
Treasurer's Automation	Ark. Code Ann. § 21-6-302 established fund to receive up to ten percent of Treasurer's gross commissions to operate the Treasurer's office and to purchase, maintain, and operate an automated record keeping system.

WASHINGTON COUNTY, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2009

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

Fund Name	Fund Description
Law Enforcement Grants	Ark. Code Ann. § 27-101-111 established fund to receive fees to be used for operating a patrol on the waterways within a County or for emergency rescue services if the County has not established a patrol. This fund is also used to account for other federal and state grants and work release fees.
Drug Court Program	Ark. Code Ann. § 16-98-304 established fund to receive costs set by drug court judges to be used for treatment, drug testing, and supervision costs.
Drug Court Grant	Fund originally established to account for federal grant.
Rural Community Grant	Fund established to account for state grants and County and local matching funds.
Collector's Automation	Ark. Code Ann. § 21-6-305 established fund to receive up to ten percent of Collector's gross commissions to operate the Collector's office and to purchase, maintain, and operate an automated record keeping system.
County Clerk's Recorder and Automation Cost	Ark. Code Ann. § 21-6-413 established a percentage of Clerk's fee to be used to purchase, maintain, and operate an automated records system.
Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive District Court installment fees of 1/2 of \$5 per month on each person to be used for court related technology.
Fire Marshall Grants	Fund established to account for state grant for County Fire Marshall. Now funded by local grants.
Office of Emergency Services Grant	Fund established to account for various federal grants for emergency services.
Homeland Security Grant	Grants received for Homeland Security and Law Enforcement Terrorism Prevention Program.
County Library	Ark. Code Ann. § 13-2-404 established fund to account for Library property tax millage levied by the Quorum Court.
Federal Emergency Management Agency	Grant funds received from Federal Emergency Management Agency.
Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds - Capital Projects	Washington County Ordinance no. 2008-53 (October 9, 2008) established the Historic Courthouse Renovation Project Bond Fund - Capital Projects for the capital project expenditures for the Historic Courthouse Renovation Project.

WASHINGTON COUNTY, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2009

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

Fund Name	Fund Description
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Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds - Debt Service	Washington County Ordinance no. 2008-53 (October 9, 2008) established the Historic Courthouse Renovation Project Bond Fund - Debt Service for the \$5.6 million dollar bond issue and the payment of the debt service on the Historic Courthouse Renovation Project.
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Judge's accounts are mainly change funds for several departments.

Treasurer's accounts consist primarily of property taxes, excess commissions, other agencies' funds, and interest not distributed to the appropriate entities.

Collector's accounts consist primarily of delinquent taxes not yet distributed to the various taxing units.

Sheriff's accounts consist primarily of fees settlement and bond money.

County Clerk's accounts consist primarily of trust money and fee money to be settled with Treasurer.

Circuit Clerk's accounts consist of trust money and settlements due to Treasurer.

Assessor's account consists of a change fund.

WASHINGTON COUNTY, ARKANSAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2009
(Unaudited)

Schedule 3

	<u>December 31, 2009</u>
Land	\$ 3,485,314
Buildings and Improvements	56,413,494
Equipment	<u>20,770,953</u>
Total	<u>\$80,669,761</u>

WASHINGTON COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 DECEMBER 31, 2009
 (Unaudited)

<u>General</u>	2009	2008	2007	2006	2005
Total Assets	\$ 30,968,052	\$ 28,037,118	\$ 26,612,453	\$ 21,646,716	\$ 17,357,762
Total Liabilities	929,104	856,780	3,899		
Total Fund Balances	30,038,948	27,180,338	26,608,554	21,646,716	17,357,762
Net Revenues	28,632,265	29,424,563	27,994,813	26,301,376	21,494,782
Total Expenditures	27,059,088	29,999,741	23,985,423	22,494,083	18,876,987
<u>Road</u>					
Total Assets	\$ 3,413,635	\$ 2,974,502	\$ 2,795,808	\$ 2,813,365	\$ 2,827,856
Total Liabilities	859,599	565,695	816		
Total Fund Balances	2,554,036	2,408,807	2,794,992	2,813,365	2,827,856
Net Revenues	8,529,257	8,081,377	7,579,792	7,874,261	7,985,889
Total Expenditures	8,376,077	8,595,146	7,865,406	8,004,375	7,762,709
<u>Other Funds in the Aggregate</u>					
Total Assets	\$ 23,201,968	\$ 23,230,839	\$ 16,008,508	\$ 17,006,659	\$ 16,921,197
Total Liabilities	12,197,222	8,803,280	7,936,440	8,744,803	7,215,004
Total Fund Balances	11,004,746	14,427,559	8,072,068	8,261,856	9,706,193
Net Revenues	16,904,936	18,022,610	15,483,780	15,543,794	16,794,791
Total Expenditures	19,050,268	17,750,614	14,718,607	16,391,710	15,750,000

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