

Washington County, Arkansas
Regulatory Basis Financial Statements
and Other Reports

December 31, 2010

LEGISLATIVE JOINT AUDITING COMMITTEE



WASHINGTON COUNTY, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Independent Auditor's Report
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*

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis	B
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Road Funds – Regulatory Basis	C
Notes to Financial Statements	

SUPPORTING SCHEDULES

	<u>Schedule</u>
Combining Balance Sheet – Other Funds in the Aggregate – Regulatory Basis	1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Funds in the Aggregate – Regulatory Basis	2
Notes to Schedules 1 and 2	

SUPPLEMENTARY INFORMATION

Schedule of Capital Assets (Unaudited)	3
Schedule of Selected Information for the Last Five Years – Regulatory Basis (Unaudited)	4

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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, 2010, 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, 2010, 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 on the financial statements of the omission described in the preceding paragraph, 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, 2010, 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 August 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



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

Little Rock, Arkansas
August 23, 2011
LOCO07210

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, 2010, and have issued our report thereon dated August 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weakness:

2010-1 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 2010:

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

County Judge

County officials discovered revenue not deposited in the Environmental Affairs Department. Collection Center Employee James Mosteller, who resigned from employment on December 14, 2010, stated to Sheriff's Office personnel he had taken an unspecified amount of cash for personal use. Because adequate records were not available, the amount of unaccounted for funds could not be determined. A theft of property report was not filed with the applicable law enforcement agency.

Circuit Clerk

Prenumbered receipts were issued for items of revenue for the Circuit Clerk's fee account, but again not at the location and time of collection. Procedures were initiated in December 2010 to issue receipts at the location and time of collection.

Sheriff

Password controls did not meet minimum standards. Minimum number of characters required in passwords was below industry standards. Passwords were not required to be changed on a periodic, recurring basis, not to exceed 90 days. Passwords were not required to contain mixture of alpha and numeric characters. Password history file was not maintained to prevent re-use of previous passwords. User accounts were not locked out after three unsuccessful logon attempts. Failure to establish proper password controls increases the likelihood that an unauthorized person could gain access to the system.

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
August 23, 2011

WASHINGTON COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 DECEMBER 31, 2010

Exhibit A

	General	Road	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 28,460,645	\$ 2,977,292	\$ 17,944,482
Accounts receivable	1,904,790	716,886	1,809,002
Interfund receivables	554,743	36,093	
TOTAL ASSETS	\$ 30,920,178	\$ 3,730,271	\$ 19,753,484
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 772,023	\$ 182,901	\$ 471,373
Interfund payables	36,093	181,115	373,628
Settlements pending			9,277,739
Total Liabilities	808,116	364,016	10,122,740
Fund Balances:			
Reserved (Note 8)	1,597,276	3,366,255	9,630,744
Unreserved:			
Undesignated	28,514,786		
Total Fund Balances	30,112,062	3,366,255	9,630,744
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,920,178	\$ 3,730,271	\$ 19,753,484

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, 2010

	General	Road	Other Funds in the Aggregate
REVENUES			
State aid	\$ 1,962,647	\$ 3,553,257	\$ 700,680
Federal aid	590,875	51,501	340,703
Property taxes	13,513,916	1,178,012	1,670,158
Sales taxes	4,370,648	2,879,467	7,149,853
Fines, forfeitures, and costs	608,328		601,432
Interest	67,237	6,431	15,992
Officers' fees	1,157,250		1,660,202
Franchise fees	130,793		4,041,822
Jail fees	66,868		736,389
911 fees			
Insurance premiums collected	3,074,804		
Treasurer's commission	244,188		4,467
Collector's commission	931,926		
Taxes apportioned - Assessor's salary and expense	1,600,571		
Other	1,472,054	362,137	676,983
TOTAL REVENUES	29,792,105	7,830,805	17,598,681
Less: Treasurer's commission	86,102	31,169	67,609
NET REVENUES	29,706,003	7,799,636	17,531,072
EXPENDITURES			
Current:			
General government	18,232,198		1,975,565
Law enforcement	9,990,296		12,731,579
Highways and streets		6,780,662	138,190
Public safety	2,134,001		517,200
Sanitation	365,671		142,308
Health	15,809		1,976,201
Recreation and culture			
Total Current	30,737,975	6,780,662	17,481,043
Debt Service:			
Bond principal			190,000
Bond interest and other charges			262,025
Principal reduction on note		70,324	
Note interest and other charges		3,351	
TOTAL EXPENDITURES	30,737,975	6,854,337	17,933,068

WASHINGTON COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Road	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (1,031,972)	\$ 945,299	\$ (401,996)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,143,892		424,443
Transfers out	(38,806)	(133,080)	(1,396,449)
TOTAL OTHER FINANCING SOURCES (USES)	1,105,086	(133,080)	(972,006)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	73,114	812,219	(1,374,002)
FUND BALANCES - JANUARY 1	30,038,948	2,554,036	11,004,746
FUND BALANCES - DECEMBER 31	\$ 30,112,062	\$ 3,366,255	\$ 9,630,744

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, 2010

	General		Road		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
REVENUES					
State aid	\$ 2,240,810	\$ 1,962,647	\$ 3,354,600	\$ 3,553,257	\$ 198,657
Federal aid	1,096,865	590,875	38,000	51,501	13,501
Property taxes	12,248,379	13,513,916	1,114,736	1,178,012	63,276
Sales taxes	4,095,000	4,370,648	2,720,000	2,679,467	(40,533)
Fines, forfeitures, and costs	539,300	608,328			
Interest	152,000	67,237	7,800	6,431	(1,369)
Officers' fees	1,081,105	1,157,250			
Franchise fees	128,000	130,793			
Jail fees	20,000	66,868			
Insurance premiums collected	3,483,000	3,074,804			
Treasurer's commission	299,904	244,188			
Collector's commission	1,184,498	931,926			
Taxes apportioned - Assessor's salary and expense	1,988,464	1,600,571			
Other	1,315,466	1,472,054	529,700	362,137	(167,563)
TOTAL REVENUES	29,852,791	29,792,105	7,764,836	7,830,805	65,969
Less: Treasurer's commission	60,800	86,102	30,000	31,169	(1,169)
NET REVENUES	29,791,991	29,706,003	7,734,836	7,799,636	64,800
EXPENDITURES					
Current:					
General government	22,711,320	18,232,198			4,479,122
Law enforcement	10,863,754	9,990,296			873,458
Highways and streets			8,225,238	6,780,662	1,444,576
Public safety	2,897,515	2,134,001			763,514
Sanitation	386,086	365,671			20,415
Health	27,635	15,809			11,826
Total Current	36,886,310	30,737,975	8,225,238	6,780,662	1,444,576
Debt Service:					
Principal reduction on note			604,649	70,324	534,325
Note interest and other charges			3,351	3,351	
TOTAL EXPENDITURES	36,886,310	30,737,975	8,833,238	6,854,337	1,978,901

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, 2010

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (7,094,319)	\$ (1,031,972)	\$ 6,062,347	\$ (1,098,402)	\$ 945,299	\$ 2,043,701
OTHER FINANCING SOURCES (USES)						
Transfers in	1,113,250	1,143,892	30,642	852,611		(852,611)
Transfers out	(38,806)	(38,806)			(133,080)	(133,080)
TOTAL OTHER FINANCING SOURCES (USES)	1,074,444	1,105,086	30,642	852,611	(133,080)	(985,691)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(6,019,875)	73,114	6,092,989	(245,791)	812,219	1,058,010
FUND BALANCES - JANUARY 1	27,629,016	30,038,948	2,409,932	1,961,538	2,554,036	592,498
FUND BALANCES - DECEMBER 31	\$ 21,609,141	\$ 30,112,062	\$ 8,502,921	\$ 1,715,747	\$ 3,366,255	\$ 1,650,508

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

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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, and Employee Self Insurance.

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, Jail Operations Sales Tax, County Recorder's Cost, High Intensity Drug Trafficking Area (HIDTA) Grant, County Clerk's Cost, Juvenile Counsel Fee, 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, Court Automation, Office of Emergency Services Grants, Homeland Security Grant, County Library, Federal Emergency Management Agency, Boating Safety, Sheriff's Communication Facility and Equipment, Drug Enforcement State, and Drug Enforcement Federal.

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 Funds are 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 Funds are 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, 2010

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 Funds); County Treasurer's accounts (Law Library, Flexible Spending, Arkansas Community and Economic Development Program (ACDEP) Water Project, Common School, 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 and Change); Sheriff's accounts (Fee, Felony Bond, and Execution); County Clerk's accounts (Change and Trust); Circuit Clerk's accounts (Fee, Advanced Cost, Child Support, Change and Trust); 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, 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, 2010

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, 2010 is composed of the following:

Description	General Fund	Road Fund	Other Funds in the Aggregate
State aid	\$ 194,429	\$ 266,018	\$ 289,158
Federal aid	77,154		157,234
Property taxes	317,359	51,465	74,030
Sales taxes	561,082	211,572	561,407
Fines, forfeitures, and costs	58,698		39,871
Interest	3,568	640	1,393
Officers' fees	88,227		150,678
Jail fees	39,532		96,194
911 fees			95,593
Insurance premiums collected	81,289		
Other	483,452	187,191	343,444
Totals	\$ 1,904,790	\$ 716,886	\$ 1,809,002

NOTE 5: Accounts Payable

The accounts payable balance at December 31, 2010 is composed of the following:

Description	General Fund	Road Fund	Other Funds in the Aggregate
Vendor payables	\$ 772,023	\$ 182,901	\$ 471,373

WASHINGTON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2010	
	Interfund Receivables	Interfund Payables
General Fund	\$ 554,743	\$ 36,093
Road Fund	36,093	181,115
Other Funds in the Aggregate:		
Special Revenue Funds:		
Emergency 911		65,939
Jail Operations Sales Tax		253,946
County Recorder's Cost		22,190
High Intensity Drug Trafficking Area (HIDTA) Grant		6,184
County Library		25,369
Totals	<u>\$ 590,836</u>	<u>\$ 590,836</u>

Interfund receivables and payables consist of interfund loans. These balances were repaid on January 26, 2011.

NOTE 7: Legal Debt Limit

A. Property Tax Secured 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, 2010, the legal debt limit for bonded debt was \$306,110,968. 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, 2010, the legal debt limit for short-term financing obligations was \$79,618,601. The amount of short-term financing obligations was \$30,175 leaving a legal debt margin of \$79,588,426.

WASHINGTON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 8: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2010
<u>General</u>	
Self-Insurance	\$ 1,597,276
 <u>Road</u>	 \$ 3,366,255
 <u>Other Funds in the Aggregate</u>	
Special Revenue:	
Emergency 911	\$ 889,572
HIV Clinic	105,401
Jail Operations Sales Tax	2,108,710
County Recorder's Cost	1,133,724
County Clerk's Cost	31,861
Juvenile Counsel Fee	22,290
Support Collection Cost	3,687
Treasurer's Automation	17,325
Law Enforcement Grants	5,914
Drug Court Program	37,087
Rural Community Grant	31,616
Collector's Automation	144,417
County Clerk's Recorder and Automation Cost	718,221
Court Automation	131,034
Homeland Security Grant	34,225
County Library	1,076,980
Boating Safety	4,831
Sheriff's Communication Facility and Equipment	563,196
Drug Enforcement State	8,417
Drug Enforcement Federal	41,706
Total Special Revenue	7,110,214
Capital Projects:	
Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds	1,706,558
Debt Service:	
Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds	813,972
Total Other Funds in the Aggregate	\$ 9,630,744

NOTE 9: Commitments

Total commitments consist of the following at December 31, 2010:

	December 31, 2010
Long-term liabilities	\$ 6,019,453
Construction contracts	1,696,257
Reappraisal contract	5,365,600
Total Commitments	\$ 13,081,310

WASHINGTON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010

NOTE 9: Commitments (Continued)

Long-term Liabilities

Long-term Liabilities at December 31, 2010 are comprised of the following:

	<u>December 31, 2010</u>
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.	\$ 5,225,000
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.	30,175
Compensated Absences	<u>764,278</u>
Total Long-term Liabilities	<u><u>\$ 6,019,453</u></u>

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

Post Employment Benefits Other Than Pensions

The amount of any actuarially determined accrued liability for post employment benefits other than pensions was not determined.

Debt Service Requirements to Maturity

The County is obligated for the following amounts at December 31, 2010:

<u>Years Ending December 31,</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total</u>
2011	\$ 448,425	\$ 30,698	\$ 479,123
2012	451,795		451,795
2013	449,108		449,108
2014	450,812		450,812
2015	446,738		446,738
2016 through 2020	2,246,815		2,246,815
2021 through 2025	2,245,105		2,245,105
2026 through 2028	1,345,910		1,345,910
Total Obligations	<u>8,084,708</u>	<u>30,698</u>	<u>8,115,406</u>
Less Interest	<u>2,859,708</u>	<u>523</u>	<u>2,860,231</u>
Total Principal	<u><u>\$ 5,225,000</u></u>	<u><u>\$ 30,175</u></u>	<u><u>\$ 5,255,175</u></u>

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 9: Commitments (Continued)

Construction Contracts

The County was contractually obligated for the following construction contracts at December 31, 2010:

Project Name	Completion Date	Contract Balance December 31, 2010
Washington County Parking Deck Construction Contracts	March 28, 2011	\$ 1,465,253
Washington County Jail Sewer Improvement Project	March 22, 2011	129,700
Washington County Sheriff Training Facility Construction Contracts	May 12, 2011	77,794
Washington County Coroner Building Construction Contracts	March 03, 2011	23,510
Total Construction Contracts		<u>\$ 1,696,257</u>

Reappraisal Contract

The County entered into a professional services contract for \$5,365,600 with Arkansas CAMA Technology for real estate appraisal and reappraisal maintenance on December 12, 2010. Terms of the contract call for 60 monthly payments of \$89,427. The County is obligated in the following amounts for the next five years:

Year	Amount
2011	\$ 1,073,120
2012	1,073,120
2013	1,073,120
2014	1,073,120
2015	1,073,120
Total	<u>\$ 5,365,600</u>

Reappraisal expense for 2010 totaled \$1,069,793

NOTE 10: Interfund Transfers

The General Fund transferred \$38,806 to Other Funds in the Aggregate to supplement operation of the HIV Clinic. The Road Fund transferred \$133,080 to the General Fund for reimbursement of prior year expenditures. Other Funds in the Aggregate transferred \$309,719 to the General Fund for reimbursement of prior year expenditures, \$11,452 for reimbursement of current year expenditures and \$689,641 in excess funds. Also, within Other Funds in the Aggregate, the Law Enforcement Grants Fund transferred \$385,637 of State Criminal Alien Assistance Program (SCAAP) carry over monies to the Jail Operations Sales Tax Fund.

NOTE 11: Subsequent Events

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 at 8.35% of construction cost.

NOTE 12: Pledged Revenues

Fines and court cost 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 \$5,225,000 and \$2,859,708, respectively, payable through November 1, 2028. For the current year, principal of \$190,000 and interest and fees of \$262,025 were paid.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 12: Pledged Revenues (Continued)

Fines and court cost in criminal and juvenile matters – circuit court: (Continued)

The Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds Fund received a total of \$547,368 from these revenue sources in 2010. Any fees 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 \$7,110 for 2010, were deposited into the Juvenile Counsel Fee Fund rather than the fund designated in the Bond Agreement and Washington County Ordinance 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.

NOTE 13: 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.

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.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 14: 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 five percent 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 15: Self-Insured Benefits

The County provides an insurance benefits plan for employees, on a self-insured basis. Blue Advantage 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, 2010, the balance in the account was \$1,597,276 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 reinsurance policy with American Fidelity Assurance Company, which will fund individual claims that exceed \$150,000 per occurrence.

NOTE 16: Jointly Governed Organizations

A. 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 \$37,521 to the Solid Waste District during 2010. Separate financial statements of the District may be obtained: 11398 Bond Road, Prairie Grove, AR 72752.

B. Ozark Regional Transit, Inc.

Washington County participates in the Ozark Regional Transit, Inc. (ORT), a jointly governed organization. The ORT provides transit services among the various locations of its members. The majority of the ORT funding is through the Federal Transportation Administration (FTA), which includes both rural and urbanized area funding and local funding that is provided by the members of the ORT. The FTA rural funding is provided through the Arkansas Highway and Transportation Department. Other participants include Benton and Madison Counties, as well as other entities within each of these counties. Washington County paid \$86,992 to ORT for their share of the transportation benefits provided to its members. Financial statements may be obtained at: Ozark Regional Transit, 2423 E. Robinson, Springdale, Arkansas 72764.

NOTE 17: Joint Venture

Washington County Ambulance Authority

Washington County and the cities of Elkins, Fayetteville, Farmington, Goshen, Greenland, Lincoln, Prairie Grove, West Fork, Winslow, and Johnson entered into an agreement, on March 21, 2008, pursuant to Ark. Cod Ann. §§ 14-14-910, 14-266-102, and 25-20-101 to establish the Washington County Ambulance Authority (Authority). The purpose of the Authority is to provide emergency and non-emergency medical services. Terms of the agreement call for Washington County to pay \$15.50 per capita for the unincorporated population with at least a minimum contribution of \$550,000 per year through the end of 2011. The Authority notified Washington County that the entire funding would not be needed in 2010; consequently Washington County paid the authority \$514,257 during 2010.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 18: Joint Operation

Bomb Squad

Washington County and the City of Bentonville entered into an interlocal agreement on February 12, 2010 regarding the Bomb Squad. This agreement states that equipment purchased with grant funds awarded to the county, and formally in the possession of the City of Springdale, shall remain the property of Washington County but now will be in the physical possession of the Bentonville Bomb Squad so long as it is actively functioning as contemplated by the County. The City of Bentonville is to insure this equipment whose cost approximates \$1,261,400.

NOTE 19: 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 the 2010 calendar year.

WASHINGTON COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2010

		SPECIAL REVENUE FUNDS						
		High Intensity		Drug				
		Jail		Trafficking		Support		
		Operations		Area (HIDTA)		Collection		
		Sales Tax		Grant		Cost		
		HIV Clinic		County		County Clerk's		
				Recorder's		Cost		
				Cost		Cost		
						Counsel Fee		
						Fee		
						Support		
						Collection		
						Cost		
ASSETS	Emergency							
	911							
Cash and cash equivalents	\$ 848,840	\$ 105,891	\$ 1,509,986	\$ 1,000,000	\$ 31,536	\$ 21,377	\$ 158	
Accounts receivable	106,836	22	1,202,790	165,236	325	913	3,687	
TOTAL ASSETS	\$ 955,676	\$ 105,913	\$ 2,712,776	\$ 1,165,236	\$ 63,051	\$ 22,290	\$ 3,845	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 165	\$ 512	\$ 350,120	\$ 9,322	\$ 56,867		\$ 158	
Interfund payables	65,939		253,946	22,190	6,184			
Settlements pending								
Total Liabilities	66,104	512	604,066	31,512	63,051		158	
Fund Balances:								
Reserved (Note 8)	889,572	105,401	2,108,710	1,133,724		22,290	3,687	
TOTAL LIABILITIES AND FUND BALANCES	\$ 955,676	\$ 105,913	\$ 2,712,776	\$ 1,165,236	\$ 63,051	\$ 22,290	\$ 3,845	

WASHINGTON COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2010

Schedule 1

SPECIAL REVENUE FUNDS

	Treasurer's Automation	Law Enforcement Grants	Drug Court Program	Rural Community Grant	Collector's Automation	County Clerk's Recorder and Automation Cost	Court Automation	Homeland Security Grant
ASSETS								
Cash and cash equivalents	\$ 3,913	\$ 5,707	\$ 35,622	\$ 31,229	\$ 144,564	\$ 710,259	\$ 129,557	\$ 34,218
Accounts receivable	15,491	207	1,465	423	25	9,992	1,946	7
TOTAL ASSETS	\$ 19,404	\$ 5,914	\$ 37,087	\$ 31,652	\$ 144,589	\$ 720,251	\$ 131,503	\$ 34,225
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 2,079			\$ 36	\$ 172	\$ 2,030	\$ 469	
Interfund payables								
Settlements pending								
Total Liabilities	2,079			36	172	2,030	469	
Fund Balances:								
Reserved (Note 8)	17,325	5,914	37,087	31,616	144,417	718,221	131,034	34,225
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,404	\$ 5,914	\$ 37,087	\$ 31,652	\$ 144,589	\$ 720,251	\$ 131,503	\$ 34,225

WASHINGTON COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2010

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUND	DEBT SERVICE FUND
	County Library	Boating Safety	Sheriff's Communication Facility and Equipment	Drug Enforcement State		
Cash and cash equivalents	\$ 947,948	\$ 3,415	\$ 581,269	\$ 7,520	\$ 1,706,558	\$ 769,580
Accounts receivable	157,161	1,416	28,610	897		44,392
TOTAL ASSETS	\$ 1,105,109	\$ 4,831	\$ 609,879	\$ 8,417	\$ 1,706,558	\$ 813,972

LIABILITIES AND FUND BALANCES

Liabilities:						
Accounts payable	\$ 2,760		\$ 46,683			
Interfund payables	25,369					
Settlements pending						
Total Liabilities	28,129		46,683			
Fund Balances:						
Reserved (Note 8)	1,076,980	\$ 4,831	563,196	\$ 8,417	\$ 1,706,558	\$ 813,972
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,105,109	\$ 4,831	\$ 609,879	\$ 8,417	\$ 1,706,558	\$ 813,972

WASHINGTON COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2010

AGENCY FUNDS

	Treasurer's Accounts	Collector's Accounts	Sheriff's Accounts	County Clerk's Accounts	Circuit Clerk's Accounts	Assessor's Account	County Judge's Accounts	Totals
ASSETS								
Cash and cash equivalents	\$ 6,680,702	\$ 1,088,020	\$ 302,620	\$ 139,912	\$ 1,065,925	\$ 150	\$ 410	\$ 17,944,482
Accounts receivable								1,809,002
TOTAL ASSETS	<u>\$ 6,680,702</u>	<u>\$ 1,088,020</u>	<u>\$ 302,620</u>	<u>\$ 139,912</u>	<u>\$ 1,065,925</u>	<u>\$ 150</u>	<u>\$ 410</u>	<u>\$ 19,753,484</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable								\$ 471,373
Interfund payables								373,628
Settlements pending	\$ 6,680,702	\$ 1,088,020	\$ 302,620	\$ 139,912	\$ 1,065,925	\$ 150	\$ 410	9,277,739
Total Liabilities	<u>6,680,702</u>	<u>1,088,020</u>	<u>302,620</u>	<u>139,912</u>	<u>1,065,925</u>	<u>150</u>	<u>410</u>	<u>10,122,740</u>
Fund Balances:								
Reserved (Note 8)	\$ 6,680,702	\$ 1,088,020	\$ 302,620	\$ 139,912	\$ 1,065,925	\$ 150	\$ 410	9,630,744
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,680,702</u>	<u>\$ 1,088,020</u>	<u>\$ 302,620</u>	<u>\$ 139,912</u>	<u>\$ 1,065,925</u>	<u>\$ 150</u>	<u>\$ 410</u>	<u>\$ 19,753,484</u>

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, 2010

	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	Juvenile Counsel Fee	Support Collection Cost
REVENUES								
State aid			\$ 233,744		\$ 287,667			
Federal aid								
Property taxes			7,149,853					
Sales taxes								
Fines, forfeitures, and costs	\$ 1,479	\$ 238	4,296	\$ 2,316	2	\$ 65	\$ 7,110	\$ 15
Interest				1,433,999		3,918		30,109
Officers' fees			4,041,822					
Jail fees	736,389							
911 fees	37,164	135,934	161,180	8,424				8
Collector's commission								
Other								
TOTAL REVENUES	775,032	136,172	11,590,895	1,444,739	287,669	3,983	7,151	30,132
Less: Treasurer's commission	2,881	1	46,908	5,877		17	28	112
NET REVENUES	772,151	136,171	11,543,987	1,438,862	287,669	3,966	7,123	30,020
EXPENDITURES								
Current:								
General government				651,061				27,209
Law enforcement			12,246,174		287,675			
Highways and streets								
Public safety	496,930	141,319						
Health								
Recreation and culture								
Total Current	496,930	141,319	12,246,174	651,061	287,675			27,209
Debt Service:								
Bond principal								
Bond interest and other charges								
TOTAL EXPENDITURES	496,930	141,319	12,246,174	651,061	287,675			27,209

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, 2010

Schedule 2

		SPECIAL REVENUE FUNDS							
		High Intensity		Drug		Traffic		Support	
		Area (HIDTA)		Area (HIDTA)		Area (HIDTA)		Collection Cost	
		Grant		Grant		Grant		Collection Cost	
		County		County		County		County	
		Recorder's		Recorder's		Clerk's		Clerk's	
		Cost		Cost		Cost		Cost	
		Jail		Jail		Jail		Jail	
		Operations		Operations		Operations		Operations	
		Sales Tax		Sales Tax		Sales Tax		Sales Tax	
		HIV Clinic		HIV Clinic		HIV Clinic		HIV Clinic	
		\$ (5,148)		\$ (5,148)		\$ (5,148)		\$ (5,148)	
		\$ 787,801		\$ 787,801		\$ 787,801		\$ 787,801	
		\$ 3,966		\$ 3,966		\$ 3,966		\$ 3,966	
		\$ 7,123		\$ 7,123		\$ 7,123		\$ 7,123	
		\$ 2,811		\$ 2,811		\$ 2,811		\$ 2,811	
Emergency 911	\$ 275,221								
	(8,214)								
	(8,214)								
Transfers in	38,806								
Transfers out	(253,946)								
TOTAL OTHER FINANCING SOURCES (USES)									
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES									
FUND BALANCES - JANUARY 1									
FUND BALANCES - DECEMBER 31									

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, 2010

SPECIAL REVENUE FUNDS

	Treasurer's Automation	Law Enforcement Grants	Drug Court Program	Rural Community Grant	Collector's Automation	County Clerk's Recorder and Automation Cost	Court Automation
REVENUES							
State aid		\$ 755		\$ 42,000			
Federal aid							
Property taxes			\$ 23,706				\$ 23,248
Sales taxes	\$ 30	232	57	85	\$ 388	\$ 1,430	268
Fines, forfeitures, and costs		7,555				109,727	
Interest							
Officers' fees							
Jail fees							
911 fees					4,467	588	
Collector's commission	15,584	8,080		4,168	37		
Other	15,614	16,622	23,763	46,253	4,892	111,745	23,516
TOTAL REVENUES	15,614	16,569	23,662	46,236	4,892	111,291	23,416
Less: Treasurer's commission		53	101	17		454	100
NET REVENUES	15,614	16,569	23,662	46,236	4,892	111,291	23,416
EXPENDITURES							
Current:							
General government	15,593				70,246	19,324	7,419
Law enforcement		755		30,465			
Highways and streets							
Public safety				989			
Health							
Recreation and culture							
Total Current	15,593	755		31,454	70,246	19,324	7,419
Debt Service:							
Bond principal							
Bond interest and other charges							
TOTAL EXPENDITURES	15,593	755		31,454	70,246	19,324	7,419

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, 2010

		SPECIAL REVENUE FUNDS						
		Treasurer's Automation	Law Enforcement Grants	Drug Court Program	Rural Community Grant	Collector's Automation	County Clerk's Recorder and Automation Cost	Court Automation
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		21	\$ 15,814	\$ 23,662	\$ 14,782	\$ (65,354)	\$ 91,967	\$ 15,997
OTHER FINANCING SOURCES (USES)								
Transfers in								
Transfers out			(395,028)					
TOTAL OTHER FINANCING SOURCES (USES)			(395,028)					
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		21	(379,214)	23,662	14,782	(65,354)	91,967	15,997
FUND BALANCES - JANUARY 1		17,304	385,128	13,425	16,834	209,771	626,254	115,037
FUND BALANCES - DECEMBER 31		\$ 17,325	\$ 5,914	\$ 37,087	\$ 31,616	\$ 144,417	\$ 718,221	\$ 131,034

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, 2010

		SPECIAL REVENUE FUNDS						
	Office of Emergency Services Grant	Homeland Security Grant	County Library	Federal Emergency Management Agency	Boating Safety	Sheriff's Communication Facility and Equipment	Drug Enforcement State	Drug Enforcement Federal
REVENUES								
State aid			\$ 407,551		\$ 13,800	\$ 1,241	\$ 2,830	\$ 51,795
Federal aid			1,670,158					
Property taxes								
Sales taxes								
Fines, forfeitures, and costs	\$ 1	\$ 79	1,523	\$ 196	8	954	8	76
Interest						74,894		
Officers' fees								
Jail fees								
911 fees								
Collector's commission								
Other			7,148		15	277,623	6,291	7,348
TOTAL REVENUES	1	79	2,086,380	196	13,823	354,712	9,129	59,219
Less: Treasurer's commission			7,434		52	1,085	12	210
NET REVENUES	1	79	2,078,946	196	13,771	353,627	9,117	59,009
EXPENDITURES								
Current:								
General government				6,227				
Law enforcement				5,303		135,765	700	17,303
Highways and streets				138,190				
Public safety				8,902	8,940			
Health	2,428							
Recreation and culture								
Total Current	2,428		1,976,201	158,622	8,940	135,765	700	17,303
Debt Service:								
Bond principal								
Bond interest and other charges								
TOTAL EXPENDITURES	2,428		1,976,201	158,622	8,940	135,765	700	17,303

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, 2010

	SPECIAL REVENUE FUNDS							
	Office of Emergency Services Grant	Homeland Security Grant	County Library	Federal Emergency Management Agency	Boating Safety	Sheriff's Communication Facility and Equipment	Drug Enforcement State	Drug Enforcement Federal
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (2,427)	\$ 79	\$ 102,745	\$ (158,426)	\$ 4,831	\$ 217,842	\$ 8,417	\$ 41,706
OTHER FINANCING SOURCES (USES) Transfers in		(2,061)	(25,369)					
Transfers out		(2,061)	(25,369)					
TOTAL OTHER FINANCING SOURCES (USES)								
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,427)	(1,982)	77,376	(158,426)	4,831	217,842	8,417	41,706
FUND BALANCES - JANUARY 1	2,427	36,207	999,604	158,426		345,354		
FUND BALANCES - DECEMBER 31	\$ 0	\$ 34,225	\$ 1,076,980	\$ 0	\$ 4,831	\$ 563,196	\$ 8,417	\$ 41,706

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, 2010

	CAPITAL PROJECTS		DEBT SERVICE		
	FUND		FUND		Totals
	Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds		Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds		
REVENUES					
State aid				\$	700,680
Federal aid					340,703
Property taxes					1,670,158
Sales taxes					7,149,853
Fines, forfeitures, and costs			\$	547,368	601,432
Interest		209		1,996	15,992
Officers' fees					1,660,202
Jail fees					4,041,822
911 fees					736,389
Collector's commission				7,391	4,467
Other					676,983
TOTAL REVENUES		209		556,755	17,598,681
Less: Treasurer's commission				2,267	67,609
NET REVENUES		209		554,488	17,531,072
EXPENDITURES					
Current:					
General government	1,185,905				1,975,565
Law enforcement					12,731,579
Highways and streets					138,190
Public safety					517,200
Health					142,308
Recreation and culture					1,976,201
Total Current	1,185,905				17,481,043
Debt Service:					
Bond principal				190,000	190,000
Bond interest and other charges				262,025	262,025
TOTAL EXPENDITURES		1,185,905		452,025	17,933,068

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, 2010

	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	
	Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds	Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds	Totals
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (1,185,696)	\$ 102,463	\$ (401,996)
OTHER FINANCING SOURCES (USES) Transfers in Transfers out			424,443 (1,396,449)
TOTAL OTHER FINANCING SOURCES (USES)			(972,006)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,185,696)	102,463	(1,374,002)
FUND BALANCES - JANUARY 1	2,892,254	711,509	11,004,746
FUND BALANCES - DECEMBER 31	\$ 1,706,558	\$ 813,972	\$ 9,630,744

WASHINGTON COUNTY, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2010

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.
Jail Operations Sales Tax	Washington County Ordinance no. 2002-12 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 licenses fee to be used for county clerk cost.
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.
Law Enforcement Grants	Fund established 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.
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 fund to receive fees collected by county clerks to be used for automated record systems and any legitimate county purpose.

WASHINGTON COUNTY, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2010

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

Fund Name	Fund Description
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.
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 Boating Safety	Fund established to account for grant funds received from Federal Emergency Management Agency.
Sheriff's Communication Facility and Equipment	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.
Drug Enforcement State	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.
Drug Enforcement Federal	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency.
Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds-Capital Projects	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency.
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 - Capital Projects for the capital project expenditures for the Historic Courthouse Renovation Project.
Judge's accounts	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.

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.

WASHINGTON COUNTY, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2010

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

Fund Name	Fund Description
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Circuit Clerk's accounts consist of trust money and settlements due to Treasurer. Assessor's account consists of a change fund.	
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WASHINGTON COUNTY, ARKANSAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2010
(Unaudited)

Schedule 3

	<u>December 31, 2010</u>
Land	
Buildings	\$ 3,485,314
Equipment	63,579,332
	<u>20,717,293</u>
Total	<u>\$ 87,781,939</u>

WASHINGTON COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 DECEMBER 31, 2010
 (Unaudited)

<u>General</u>	2010	2009	2008	2007	2006
Total Assets	\$ 30,920,178	\$ 30,968,052	\$ 28,037,118	\$ 26,612,453	\$ 21,646,716
Total Liabilities	808,116	929,104	856,780	3,899	
Total Fund Balances	30,112,062	30,038,948	27,180,338	26,608,554	21,646,716
Net Revenues	29,706,003	28,632,265	29,424,563	27,994,813	26,301,376
Total Expenditures	30,737,975	27,059,088	29,999,741	23,985,423	22,494,083
Total Other Financing Sources/Uses	1,105,086	1,285,433	250,331	952,448	483,311
<u>Road</u>					
Total Assets	\$ 3,730,271	\$ 3,413,635	\$ 2,974,502	\$ 2,795,808	\$ 2,813,365
Total Liabilities	364,016	859,599	565,695	816	
Total Fund Balances	3,366,255	2,554,036	2,408,807	2,794,992	2,813,365
Net Revenues	7,799,636	8,529,257	8,081,377	7,579,792	7,874,261
Total Expenditures	6,854,337	8,376,077	8,595,146	7,865,406	8,004,375
Total Other Financing Sources/Uses	(133,080)	(7,950)		267,241	115,623
<u>Other Funds In the Aggregate</u>					
Total Assets	\$ 19,753,484	\$ 23,201,968	\$ 23,230,839	\$ 16,008,508	\$ 17,006,659
Total Liabilities	10,122,740	12,197,222	8,803,280	7,936,440	8,744,803
Total Fund Balances	9,630,744	11,004,746	14,427,559	8,072,068	8,261,856
Net Revenues	17,531,072	16,904,936	18,022,610	15,483,780	15,543,794
Total Expenditures	17,933,068	19,050,268	17,750,614	14,718,607	16,391,710
Total Other Financing Sources/Uses	(972,006)	(1,277,483)	5,214,737	(952,448)	(598,934)

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