

Washington County, Arkansas
Regulatory Basis Financial Statements
and Other Reports

December 31, 2011

LEGISLATIVE JOINT AUDITING COMMITTEE



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

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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, 2011, 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, 2011, or the changes in its financial position or where applicable, its cash flows, thereof for the year then ended.

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).

Further, 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, 2011, 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).

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2013 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. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the supplementary information of the omission described above, the information is fairly stated in all material respects in relation to the regulatory basis financial statements as a whole.

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

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script, appearing to read "Roger A. Norman".

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

Little Rock, Arkansas
January 16, 2013
LOCO07211

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

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

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, 2011, and have issued our report thereon dated January 16, 2013. 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:

2011-1 To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions should be distributed among appropriate employees. The 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 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 2011:

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

Our audit procedures indicated that the offices of **County Judge, Treasurer, Sheriff, Tax Collector, County Clerk, Circuit Clerk, Assessor, and County Librarian** were in substantial compliance with Arkansas fiscal and financial laws. The following noncompliance with accepted accounting practices was noted in the offices of **County Judge, Treasurer, Sheriff, Tax Collector, County Clerk, Circuit Clerk, and Assessor**.

The Disaster Recovery Plan in place was inadequate (both technical and end-user) for restoring from short-term or long-term interruptions of computer processing. This situation could cause the entity to be without computer processing for an extended period of time in the event of a disaster or major interruption and could also place a financial and personnel burden on the resources of the entity.

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
January 16, 2013

WASHINGTON COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2011

Exhibit A

	General	Road	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 25,476,456	\$ 2,720,259	\$ 19,121,902
Accounts receivable	4,818,165	720,521	1,482,205
Interfund receivables	387,911	31,012	
TOTAL ASSETS	\$ 30,682,532	\$ 3,471,792	\$ 20,604,107
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 538,360	\$ 220,923	\$ 508,244
Interfund payables		106,355	312,568
Settlements pending			12,287,936
Total Liabilities	538,360	327,278	13,108,748
Fund Balances: (Note 8)			
Restricted	1,115,266	3,144,514	7,495,359
Assigned	31,192		
Unassigned	28,997,714		
Total Fund Balances	30,144,172	3,144,514	7,495,359
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,682,532	\$ 3,471,792	\$ 20,604,107

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, 2011

Exhibit B

	General	Road	Other Funds in the Aggregate
REVENUES			
State aid	\$ 2,479,257	\$ 3,498,167	\$ 398,936
Federal aid	681,679	42,555	892,570
Property taxes	12,577,270	1,117,609	1,596,602
Sales taxes	3,365,211	2,243,474	7,470,320
Fines, forfeitures, and costs	559,498		560,275
Interest	51,629	5,322	12,494
Officers' fees	1,013,587		1,827,152
Franchise fees	178,300	363,152	
Jail fees	32,499		3,943,227
Insurance premiums collected	3,014,571		
911 fees			562,313
Donations			89,875
Miscellaneous reimbursements			252,645
Vending machine commission			3,059
Treasurer's commission	247,528		6,970
Collector's commission	947,839		90,171
Taxes apportioned - Assessor's salary and expense	1,618,811		
Other	2,606,554	388,977	383,024
 TOTAL REVENUES	 29,374,233	 7,659,256	 18,089,633
 Less: Treasurer's commission	 389,614	 145,565	 328,308
 NET REVENUES	 28,984,619	 7,513,691	 17,761,325
 EXPENDITURES			
Current:			
General government	15,790,210		720,391
Law enforcement	10,746,419		12,971,759
Highways and streets		8,263,465	31,012
Public safety	1,518,120		679,421
Sanitation	436,144		
Health	826,668		193,875
Recreation and culture			2,083,954
Social services	183,209		
Total Current	29,500,770	8,263,465	16,680,412

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

Exhibit B

	General	Road	Other Funds in the Aggregate
EXPENDITURES (Continued)			
Debt Service:			
Bond principal			\$ 1,900,000
Bond interest and other charges			211,142
Note principal		\$ 30,175	
Note interest		368	
TOTAL EXPENDITURES	\$29,500,770	8,294,008	18,791,554
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(516,151)	(780,317)	(1,030,229)
OTHER FINANCING SOURCES (USES)			
Transfers in	862,361	606,611	1,947,177
Transfers out	(315,781)	(48,035)	(3,052,333)
TOTAL OTHER FINANCING SOURCES (USES)	546,580	558,576	(1,105,156)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	30,429	(221,741)	(2,135,385)
FUND BALANCES - JANUARY 1	30,113,743	3,366,255	9,630,744
FUND BALANCES - DECEMBER 31	\$30,144,172	\$ 3,144,514	\$ 7,495,359

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, 2011

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 2,281,077	\$ 2,479,257	\$ 198,180	\$ 3,534,806	\$ 3,498,167	\$ (36,639)
Federal aid	1,256,549	681,679	(574,870)	545,365	42,555	(502,810)
Property taxes	11,907,316	12,577,270	669,954	1,122,992	1,117,609	(5,383)
Sales taxes	3,726,081	3,365,211	(360,870)	2,484,054	2,243,474	(240,580)
Fines, forfeitures, and costs	30,000	559,498	529,498			
Interest	42,500	51,629	9,129	4,000	5,322	1,322
Officers' fees	1,128,520	1,013,587	(114,933)			
Franchise fees	160,000	178,300	18,300		363,152	363,152
Jail fees		32,499	32,499			
Insurance premiums collected	2,700,000	3,014,571	314,571			
Treasurer's commission	272,309	247,528	(24,781)			
Collector's commission	1,125,203	947,839	(177,364)			
Taxes apportioned - Assessor's salary and expense	1,769,049	1,618,811	(150,238)			
Other	2,327,531	2,606,554	279,023	577,400	388,977	(188,423)
TOTAL REVENUES	28,726,135	29,374,233	648,098	8,268,617	7,659,256	(609,361)
Less: Treasurer's commission	400,050	389,614	10,436	140,000	145,565	(5,565)
NET REVENUES	28,326,085	28,984,619	658,534	8,128,617	7,513,691	(614,926)
EXPENDITURES						
Current:						
General government	20,325,231	15,790,210	4,535,021			
Law enforcement	11,843,797	10,746,419	1,097,378			
Highways and streets				8,948,075	8,263,465	684,610
Public safety	2,203,037	1,518,120	684,917			
Sanitation	469,075	436,144	32,931			
Health	858,789	826,668	32,121			
Social services	187,520	183,209	4,311			
Total Current	35,887,449	29,500,770	6,386,679	8,948,075	8,263,465	684,610

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, 2011

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)						
Debt Service:						
Note principal				\$ 30,200	\$ 30,175	\$ 25
Note interest				500	368	132
TOTAL EXPENDITURES	<u>\$ 35,887,449</u>	<u>\$ 29,500,770</u>	<u>\$ 6,386,679</u>	<u>8,978,775</u>	<u>8,294,008</u>	<u>684,767</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,561,364)</u>	<u>(516,151)</u>	<u>7,045,213</u>	<u>(850,158)</u>	<u>(780,317)</u>	<u>69,841</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	10,321	862,361	852,040	1,359,722	606,611	(753,111)
Transfers out	<u>(604,452)</u>	<u>(315,781)</u>	<u>288,671</u>	<u>(48,036)</u>	<u>(48,035)</u>	<u>1</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(594,131)</u>	<u>546,580</u>	<u>1,140,711</u>	<u>1,311,686</u>	<u>558,576</u>	<u>(753,110)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(8,155,495)</u>	<u>30,429</u>	<u>8,185,924</u>	<u>461,528</u>	<u>(221,741)</u>	<u>(683,269)</u>
FUND BALANCES - JANUARY 1	<u>27,670,142</u>	<u>30,113,743</u>	<u>2,443,601</u>	<u>2,615,140</u>	<u>3,366,255</u>	<u>751,115</u>
FUND BALANCES - DECEMBER 31	<u>\$ 19,514,647</u>	<u>\$ 30,144,172</u>	<u>\$ 10,629,525</u>	<u>\$ 3,076,668</u>	<u>\$ 3,144,514</u>	<u>\$ 67,846</u>

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

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 used to account for and report all financial resources not accounted for and reported in another fund. The General Fund heading as it appears in the financial statements includes the following accounts: General, Central Supply, Employee Self-Insurance, and Drug-Buy.

Road Fund - The Road Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Road Fund accounts for and reports proceeds of state highway turnback, property taxes, sales taxes, and federal aid that are restricted or committed for maintaining and constructing 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The following Special Revenue Funds are reported with other funds in the aggregate: Federal Emergency Management Agency, County Library, HIV Clinic, Jail Operations Sales Tax, High Intensity Drug Trafficking Area (HIDTA) Grant, Boating Safety, Emergency 911, Sheriff's Communication Facility and Equipment, Juvenile Counsel Fee, Support Collection Cost, County Recorder's Cost, Treasurer's Automation, Law Enforcement Grants, Drug Court Program, Rural Community Grant, County Clerk's Cost, Collector's Automation, County Clerk's Recorder and Automation Cost, Court Automation, Drug Enforcement State, Drug Enforcement Federal, and Homeland Security Grant.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The following Capital Projects Fund is reported with other funds in the aggregate: Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds - Capital Projects.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The following Debt Service Fund is reported with other funds in the aggregate: Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds - Debt Service.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, Treasurer's Commission, Collector's Commission, Arkansas Community and Economic Development Program (ACDEP) Disaster, Common School, Checking Interest, Game and Fish Commission, Regional Hazardous Materials Response Team (HAZMAT), Assessor's Commission, United States Department of Agriculture (USDA) Water Project, Boston Mountain Solid Waste, Homestead Sewer, Bethel Oaks Sewer, Joyce Street Sewer, Sloan Sewer, Horsebend Sewer, Westridge Sewer, and Falcon Ridge Improvement District); Collector's accounts (Current/Delinquent Tax and Change); Sheriff's accounts (Fee, Felony Bond, Execution, and Workforce Division); County Clerk's accounts (Fee and Trust); Circuit Clerk's accounts (Fee, Advanced Cost, Child Support, Change and Trust); and Assessor's 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 expense, and interest that have not been transferred to the appropriate entities.

Fund Balance Classifications

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

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15.

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.

G. Fund Balance Classification Policies and Procedures

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

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

H. Change in Regulatory Basis

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

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.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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

NOTE 4: Accounts Receivable

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

Description	General Fund	Road Fund	Other Funds in the Aggregate
State aid	\$ 389,327	\$ 269,130	\$ 1,519
Federal aid	43,115		121,198
Property taxes	601,736	51,162	72,315
Sales taxes	273,647	182,432	607,563
Fines, forfeitures, and costs	19,652		39,999
Interest	4,101	462	1,199
Officers' fees	86,828		125,562
Franchise fees		102,138	
Jail fees	16,463		172,239
Treasurer's commission	247,528		
Collector's commission	947,839		
Taxes apportioned - assessor's salary and expense	1,618,811		
911 fees			44,181
Other	569,118	115,197	296,430
Totals	<u>\$ 4,818,165</u>	<u>\$ 720,521</u>	<u>\$ 1,482,205</u>

NOTE 5: Accounts Payable

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

Description	General Fund	Road Fund	Other Funds in the Aggregate
Vendor payables	<u>\$ 538,360</u>	<u>\$ 220,923</u>	<u>\$ 508,244</u>

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2011	
	Interfund Receivables	Interfund Payables
General	\$ 387,911	
Road	31,012	\$ 106,355
Other Funds in the Aggregate:		
Special Revenue:		
High Intensity Drug Trafficking Area Grant		3,094
Federal Emergency Management Agency		31,012
County Recorder's Cost		8,920
Emergency 911		2,206
County Library		8,212
Jail Operations Sales Tax		259,124
Totals	<u>\$ 418,923</u>	<u>\$ 418,923</u>

Interfund receivables and payables consist of interfund loans. These balances were repaid by January 26, 2012.

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, 2011, the legal debt limit for bonded debt was \$302,179,774. 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, 2011, the legal debt limit for short-term financing obligations was \$75,544,943. The amount of short-term financing obligations was \$1,753,503 leaving a legal debt margin of \$73,791,440.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 8: Details of Fund Balance Classifications

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

Description	General	Road	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
General government			\$ 2,118,616
Law enforcement			2,420,749
Highways and streets		\$ 3,144,514	
Public safety			963,197
Health			93,176
Recreation and culture			983,036
Debt service			916,585
Health insurance premiums	\$ 1,115,266		
Total Restricted	<u>1,115,266</u>	<u>3,144,514</u>	<u>7,495,359</u>
Assigned to:			
General government	<u>31,192</u>		
Unassigned	<u>28,997,714</u>		
Totals	<u>\$ 30,144,172</u>	<u>\$ 3,144,514</u>	<u>\$ 7,495,359</u>

NOTE 9: Commitments

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

	December 31, 2011
Long-term liabilities	\$ 5,931,788
Noncancellable lease	283,472
Construction contracts	2,456,370
Reappraisal contract	<u>4,292,480</u>
Total Commitments	<u>\$ 12,964,110</u>

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 9: Commitments (Continued)

Long-term Liabilities

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

	December 31, 2011
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.	\$ 3,325,000
Lease-purchase agreement with Arvest Equipment Finance, dated December 1, 2011 for the purchase of 14 John Deere motor graders. Five annual payments of \$369,111 are payable beginning on January 2, 2012 with an interest rate of 2.51%. Payments are to be made from the Road Fund.	1,753,503
Compensated Absences	853,285
Total Long-term Liabilities	\$ 5,931,788

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, 2011:

Years Ending December 31,	Bonds	Leases	Total
2012	\$ 361,430	\$ 369,111	\$ 730,541
2013	358,742	369,111	727,853
2014	360,448	369,111	729,559
2015	356,373	369,111	725,484
2016	356,810	369,111	725,921
2017 through 2021	1,798,050		1,798,050
2022 through 2026	753,355		753,355
2027 through 2028	243,320		243,320
Total Obligations	4,588,528	1,845,555	6,434,083
Less Interest	1,263,528	92,052	1,355,580
Total Principal	\$ 3,325,000	\$ 1,753,503	\$ 5,078,503

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 9: Commitments (Continued)

Noncancellable Lease

The County entered into a noncancellable lease agreement for Emergency 911 Hardware, Software, and four years of support on September 23, 2010. Terms of the lease are annual rental payments of \$ 97,696 for four years. The County is obligated for the following amounts for the next three years:

<u>Year</u>	<u>December 31, 2011</u>
2012	\$ 97,696
2013	97,696
2014	97,696
Total Obligations	293,088
Less Interest	9,616
Total	\$ 283,472

Rental expense for 2011 was \$97,696.

Construction Contracts

The County was contractually obligated for the following construction contracts at December 31, 2011:

<u>Project Name</u>	<u>Completion Date</u>	<u>Contract Balance December 31, 2011</u>
Washington County Animal Shelter	September 17, 2012	\$ 1,873,000
Washington County Juvenile Detention Center	July 24, 2012	583,370
Total Construction Contracts		\$ 2,456,370

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 four years:

<u>Year</u>	<u>Amount</u>
2012	\$ 1,073,120
2013	1,073,120
2014	1,073,120
2015	1,073,120
Total	\$ 4,292,480

Reappraisal expense for 2011 totaled \$1,073,120.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 10: Interfund Transfers

The General Fund transferred \$76,246 to the Road Fund and \$239,535 to Other Funds in Aggregate to reimburse for Road and Drug Enforcement Federal expenditures. The Road Fund transferred \$48,035 to the General Fund for reimbursement of expense. Other Funds in the Aggregate transferred \$40,379 to the General Fund for reimbursement of expenditures and \$773,947 in excess funds. Other Funds in the Aggregate transferred \$530,365 to the Road Fund for reimbursement of expenditures. Also, within Other Funds in the Aggregate, the Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds Fund (Capital Projects Fund) transferred \$1,706,558 of excess funds to the Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds Fund (Debt Service Fund) for future debt service payments. The County Recorder's Cost Fund transferred \$1,084 to the County Library Fund for reimbursement of expenditures.

NOTE 11: 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 \$3,325,000 and \$1,263,528, respectively, payable through November 1, 2028. For the current year, principal of \$1,900,000 and interest and other charges of \$211,142 were paid.

The Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds Fund received a total of \$508,376 from these revenue sources in 2011. 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 \$6,729 for 2011, 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.

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.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 12: Risk Management (Continued)

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.

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. 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, 2011, the balance in the account was \$1,115,266 and is reflected in the financial statements as the General Fund's restricted 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 15: 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 agreement and the name was changed to Boston Mountain Solid Waste District. Washington County paid \$40,865 to the Solid Waste District during 2011. Separate financial statements of the District may be obtained: 11398 Bond Road, Prairie Grove, AR 72752.

B. Ozark Regional Transit

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 \$38,453 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.

WASHINGTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 16: 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 Code 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 a maximum of \$15.50 per capita for the unincorporated population with a minimum contribution of \$550,000 per year through the end of 2011. The Authority notified Washington County that the maximum amount of funding would not be needed in 2011; consequently Washington County paid the authority \$561,024 during 2011.

NOTE 17: 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: 18: 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 \$282,861 during 2011.

NOTE 19: Subsequent Events

On January 16, 2013, Washington County received proceeds of \$2,990,000 of Capital Improvement Refunding Revenue Bonds (Historic Courthouse Project), Series 2013. The bonds are being used for the purpose of advance refunding the County's Capital Improvement Revenue Bonds (Historic Courthouse Project), Series 2008. The 2008 bonds are being called on December 1, 2013.

WASHINGTON COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2011

Schedule 1

SPECIAL REVENUE FUNDS

	Federal Emergency Management Agency (FEMA)	County Library	HIV Clinic	Jail Operations Sales Tax	High Intensity Drug Trafficking Area (HIDTA) Grant	Boating Safety	Emergency 911	Sheriff's Communication Facility and Equipment	Juvenile Counsel Fee
ASSETS									
Cash and cash equivalents		\$ 875,037	\$ 106,676	\$ 1,138,779		\$ 4,773	\$ 924,460	\$ 565,775	\$ 28,423
Accounts receivable	\$ 31,012	99,648	879	1,031,960	\$ 29,086	1,739	53,993	20,969	615
TOTAL ASSETS	\$ 31,012	\$ 974,685	\$ 107,555	\$ 2,170,739	\$ 29,086	\$ 6,512	\$ 978,453	\$ 586,744	\$ 29,038
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable		\$ 3,465	\$ 14,379	\$ 425,636	\$ 25,992	\$ 695	\$ 18,867	\$ 14,833	
Interfund payables	\$ 31,012	8,212		259,124	3,094		2,206		
Settlements pending									
Total Liabilities	31,012	11,677	14,379	684,760	29,086	695	21,073	14,833	
Fund Balances:									
Restricted		963,008	93,176	1,485,979		5,817	957,380	571,911	\$ 29,038
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,012	\$ 974,685	\$ 107,555	\$ 2,170,739	\$ 29,086	\$ 6,512	\$ 978,453	\$ 586,744	\$ 29,038

WASHINGTON COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2011

Schedule 1

SPECIAL REVENUE FUNDS

	Support Collection Cost	County Recorder's Cost	Treasurer's Automation	Law Enforcement Grants	Drug Court Program	Rural Community Grant	County Clerk's Cost	Collector's Automation	County Clerk's Recorder and Automation Cost
ASSETS									
Cash and cash equivalents	\$ 22,183	\$ 1,000,000	\$ 10,428	\$ 5,924	\$ 57,928	\$ 20,128	\$ 27,244	\$ 150,000	\$ 791,100
Accounts receivable	651	135,189	6,973	1	12,191	57	348	14	9,761
TOTAL ASSETS	<u>\$ 22,834</u>	<u>\$ 1,135,189</u>	<u>\$ 17,401</u>	<u>\$ 5,925</u>	<u>\$ 70,119</u>	<u>\$ 20,185</u>	<u>\$ 27,592</u>	<u>\$ 150,014</u>	<u>\$ 800,861</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable		\$ 1,460	\$ 96			\$ 157	\$ 411		\$ 1,554
Interfund payables		8,920							
Settlements pending									
Total Liabilities		<u>10,380</u>	<u>96</u>			<u>157</u>	<u>411</u>		<u>1,554</u>
Fund Balances:									
Restricted	\$ 22,834	1,124,809	17,305	\$ 5,925	\$ 70,119	20,028	27,181	\$ 150,014	799,307
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,834</u>	<u>\$ 1,135,189</u>	<u>\$ 17,401</u>	<u>\$ 5,925</u>	<u>\$ 70,119</u>	<u>\$ 20,185</u>	<u>\$ 27,592</u>	<u>\$ 150,014</u>	<u>\$ 800,861</u>

WASHINGTON COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2011

Schedule 1

	<u>SPECIAL REVENUE FUNDS</u>				<u>DEBT SERVICE FUND</u>
	<u>Court Automation</u>	<u>Drug Enforcement - State</u>	<u>Drug Enforcement - Federal</u>	<u>Homeland Security Grant</u>	<u>Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds - Debt Service</u>
ASSETS					
Cash and cash equivalents	\$ 142,049	\$ 19,821	\$ 69,627	\$ 1,442	\$ 872,169
Accounts receivable	1,690	302	710	1	44,416
	<u>143,739</u>	<u>20,123</u>	<u>70,337</u>	<u>1,443</u>	<u>916,585</u>
TOTAL ASSETS	<u>\$ 143,739</u>	<u>\$ 20,123</u>	<u>\$ 70,337</u>	<u>\$ 1,443</u>	<u>\$ 916,585</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 486		\$ 213		
Interfund payables					
Settlements pending					
Total Liabilities	<u>486</u>		<u>213</u>		
Fund Balances:					
Restricted	<u>143,253</u>	<u>\$ 20,123</u>	<u>70,124</u>	<u>\$ 1,443</u>	<u>\$ 916,585</u>
	<u>143,739</u>	<u>\$ 20,123</u>	<u>\$ 70,337</u>	<u>\$ 1,443</u>	<u>\$ 916,585</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 143,739</u>	<u>\$ 20,123</u>	<u>\$ 70,337</u>	<u>\$ 1,443</u>	<u>\$ 916,585</u>

WASHINGTON COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2011

Schedule 1

AGENCY FUNDS

	Treasurer's Accounts	Collector's Accounts	Sheriff's Accounts	County Clerk's Accounts	Circuit Clerk's Accounts	Assessor's Accounts	County Judge's Accounts	Totals
ASSETS								
Cash and cash equivalents	\$ 9,330,172	\$ 1,148,792	\$ 297,904	\$ 37,614	\$ 1,472,804	\$ 150	\$ 500	\$ 19,121,902
Accounts receivable								1,482,205
TOTAL ASSETS	<u>\$ 9,330,172</u>	<u>\$ 1,148,792</u>	<u>\$ 297,904</u>	<u>\$ 37,614</u>	<u>\$ 1,472,804</u>	<u>\$ 150</u>	<u>\$ 500</u>	<u>\$ 20,604,107</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable								\$ 508,244
Interfund payables								312,568
Settlements pending	<u>\$ 9,330,172</u>	<u>\$ 1,148,792</u>	<u>\$ 297,904</u>	<u>\$ 37,614</u>	<u>\$ 1,472,804</u>	<u>\$ 150</u>	<u>\$ 500</u>	<u>12,287,936</u>
Total Liabilities	<u>9,330,172</u>	<u>1,148,792</u>	<u>297,904</u>	<u>37,614</u>	<u>1,472,804</u>	<u>150</u>	<u>500</u>	<u>13,108,748</u>
Fund Balances:								
Restricted								<u>7,495,359</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,330,172</u>	<u>\$ 1,148,792</u>	<u>\$ 297,904</u>	<u>\$ 37,614</u>	<u>\$ 1,472,804</u>	<u>\$ 150</u>	<u>\$ 500</u>	<u>\$ 20,604,107</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, 2011

Schedule 2

	SPECIAL REVENUE FUNDS								
	Federal Emergency Management Agency (FEMA)	County Library	HIV Clinic	Jail Operations Sales Tax	High Intensity Drug Trafficking Area (HIDTA) Grant	Boating Safety	Emergency 911	Sheriff's Communication Facility and Equipment	Juvenile Counsel Fee
REVENUES									
State aid		\$ 367,149				\$ 13,710			
Federal aid	\$ 563,762				\$ 282,780				
Property taxes		1,596,602							
Sales taxes				\$ 7,470,320					
Fines, forfeitures, and costs									\$ 6,729
Interest		1,643	\$ 193	2,417		8	\$ 1,619	\$ 1,190	50
Officers' fees				92,805				251,314	
Jail fees				3,943,227					
911 fees							562,313		
Donations			79,875						
Miscellaneous reimbursements			58,653				193,992		
Vending machine commission									
Treasurer's commission									
Collector's commission									
Other	4,590	29,305	876	279,469		243	9,875	23,176	111
TOTAL REVENUES	568,352	1,994,699	139,597	11,788,238	282,780	13,961	767,799	275,680	6,890
Less: Treasurer's commission		34,505	4	233,434		269	12,311	5,097	142
NET REVENUES	568,352	1,960,194	139,593	11,554,804	282,780	13,692	755,488	270,583	6,748
EXPENDITURES									
Current:									
General government									
Law enforcement				12,355,055	282,780			251,547	
Highways and streets	31,012								
Public safety						12,706	666,715		
Health			193,875						
Recreation and culture		2,080,806							
Total Current	31,012	2,080,806	193,875	12,355,055	282,780	12,706	666,715	251,547	
Debt Service:									
Bond principal									
Bond interest and other charges									
TOTAL EXPENDITURES	31,012	2,080,806	193,875	12,355,055	282,780	12,706	666,715	251,547	

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, 2011

Schedule 2

	SPECIAL REVENUE FUNDS								
	Federal Emergency Management Agency (FEMA)	County Library	HIV Clinic	Jail Operations Sales Tax	High Intensity Drug Trafficking Area (HIDTA) Grant	Boating Safety	Emergency 911	Sheriff's Communication Facility and Equipment	Juvenile Counsel Fee
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 537,340	\$ (120,612)	\$ (54,282)	\$ (800,251)		\$ 986	\$ 88,773	\$ 19,036	\$ 6,748
OTHER FINANCING SOURCES (USES)									
Transfers in		6,640	42,057	177,520			2,118		
Transfers out	(537,340)						(23,083)	(10,321)	
TOTAL OTHER FINANCING SOURCES (USES)	(537,340)	6,640	42,057	177,520			(20,965)	(10,321)	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		(113,972)	(12,225)	(622,731)		986	67,808	8,715	6,748
FUND BALANCES - JANUARY 1		1,076,980	105,401	2,108,710		4,831	889,572	563,196	22,290
FUND BALANCES - DECEMBER 31	<u>\$ 0</u>	<u>\$ 963,008</u>	<u>\$ 93,176</u>	<u>\$ 1,485,979</u>	<u>\$ 0</u>	<u>\$ 5,817</u>	<u>\$ 957,380</u>	<u>\$ 571,911</u>	<u>\$ 29,038</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, 2011

Schedule 2

	SPECIAL REVENUE FUNDS								
	Support Collection Cost	County Recorder's Cost	Treasurer's Automation	Law Enforcement Grants	Drug Court Program	Rural Community Grant	County Clerk's Cost	Collector's Automation	County Clerk's Recorder and Automation Cost
REVENUES									
State aid									
Federal aid									
Property taxes									
Sales taxes									
Fines, forfeitures, and costs					\$ 23,043				
Interest	\$ 32	\$ 2,025	\$ 26	\$ 11	84	\$ 49	\$ 64	\$ 222	\$ 1,450
Officers' fees	19,210	1,348,079					4,150		111,594
Jail fees									
911 fees									
Donations					10,000				
Miscellaneous reimbursements									
Vending machine commission						3,059			
Treasurer's commission			6,970						
Collector's commission								90,171	
Other	349	22,786	35		352	55	66	429	1,926
TOTAL REVENUES	19,591	1,372,890	7,031	11	33,479	3,163	4,280	90,822	114,970
Less: Treasurer's commission	444	27,359			447	69	84		2,256
NET REVENUES	19,147	1,345,531	7,031	11	33,032	3,094	4,196	90,822	112,714
EXPENDITURES									
Current:									
General government		587,611	7,051				8,876	85,225	31,628
Law enforcement						11,534			
Highways and streets									
Public safety									
Health									
Recreation and culture						3,148			
Total Current		587,611	7,051			14,682	8,876	85,225	31,628
Debt Service:									
Bond principal									
Bond interest and other charges									
TOTAL EXPENDITURES		587,611	7,051			14,682	8,876	85,225	31,628

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, 2011

Schedule 2

	SPECIAL REVENUE FUNDS								
	Support Collection Cost	County Recorder's Cost	Treasurer's Automation	Law Enforcement Grants	Drug Court Program	Rural Community Grant	County Clerk's Cost	Collector's Automation	County Clerk's Recorder and Automation Cost
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 19,147	\$ 757,920	\$ (20)	\$ 11	\$ 33,032	\$ (11,588)	\$ (4,680)	\$ 5,597	\$ 81,086
OTHER FINANCING SOURCES (USES)									
Transfers in		8,196							
Transfers out		(775,031)							
TOTAL OTHER FINANCING SOURCES (USES)		(766,835)							
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	19,147	(8,915)	(20)	11	33,032	(11,588)	(4,680)	5,597	81,086
FUND BALANCES - JANUARY 1	3,687	1,133,724	17,325	5,914	37,087	31,616	31,861	144,417	718,221
FUND BALANCES - DECEMBER 31	<u>\$ 22,834</u>	<u>\$ 1,124,809</u>	<u>\$ 17,305</u>	<u>\$ 5,925</u>	<u>\$ 70,119</u>	<u>\$ 20,028</u>	<u>\$ 27,181</u>	<u>\$ 150,014</u>	<u>\$ 799,307</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, 2011

Schedule 2

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUND	DEBT SERVICE FUND	Totals
	Court Automation	Drug Enforcement - State	Drug Enforcement - Federal	Homeland Security Grant	Juvenile Detention Complex Bond Payment and Historic Courthouse Projects Bonds - Capital Projects	Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds - Debt Service	
REVENUES							
State aid		\$ 18,077					\$ 398,936
Federal aid			\$ 46,028				892,570
Property taxes							1,596,602
Sales taxes							7,470,320
Fines, forfeitures, and costs	\$ 22,127					\$ 508,376	560,275
Interest	266	32	94	\$ 30		989	12,494
Officers' fees							1,827,152
Jail fees							3,943,227
911 fees							562,313
Donations							89,875
Miscellaneous reimbursements							252,645
Vending machine commission							3,059
Treasurer's commission							6,970
Collector's commission							90,171
Other	378	298	707	1		7,997	383,024
TOTAL REVENUES	22,771	18,407	46,829	31		517,362	18,089,633
Less: Treasurer's commission	453	379	889	1		10,165	328,308
NET REVENUES	22,318	18,028	45,940	30		507,197	17,761,325
EXPENDITURES							
Current:							
General government							720,391
Law enforcement	10,099	6,322	21,610	32,812			12,971,759
Highways and streets							31,012
Public safety							679,421
Health							193,875
Recreation and culture							2,083,954
Total Current	10,099	6,322	21,610	32,812			16,680,412
Debt Service:							
Bond principal						1,900,000	1,900,000
Bond interest and other charges						211,142	211,142
TOTAL EXPENDITURES	10,099	6,322	21,610	32,812		2,111,142	18,791,554

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, 2011

Schedule 2

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUND	DEBT SERVICE FUND	Totals
	Court Automation	Drug Enforcement - State	Drug Enforcement - Federal	Homeland Security Grant	Juvenile Detention Complex Bond Payment and Historic Courthouse Projects Bonds - Capital Projects	Juvenile Detention Complex Bond Payment and Historic Courthouse Project Bonds - Debt Service	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 12,219	\$ 11,706	\$ 24,330	\$ (32,782)		\$ (1,603,945)	\$ (1,030,229)
OTHER FINANCING SOURCES (USES)							
Transfers in			4,088			1,706,558	1,947,177
Transfers out					\$ (1,706,558)		(3,052,333)
TOTAL OTHER FINANCING SOURCES (USES)			4,088		(1,706,558)	1,706,558	(1,105,156)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	12,219	11,706	28,418	(32,782)	(1,706,558)	102,613	(2,135,385)
FUND BALANCES - JANUARY 1	131,034	8,417	41,706	34,225	1,706,558	813,972	9,630,744
FUND BALANCES - DECEMBER 31	\$ 143,253	\$ 20,123	\$ 70,124	\$ 1,443	\$ 0	\$ 916,585	\$ 7,495,359

WASHINGTON COUNTY, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2011

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

Fund Name	Fund Description
Federal Emergency Management Agency (FEMA)	Fund established to account for grant funds received from Federal Emergency Management Agency.
County Library	Ark. Code Ann. § 13-2-404 established fund to account for library property tax millage levied by the Quorum Court.
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 (March 26, 2002) established 1/4% sales tax for the maintenance and operation of the Jail and Sheriff's facilities.
High Intensity Drug Trafficking Area (HIDTA) Grant	Federal funds received for High Intensity Drug Trafficking Area.
Boating Safety	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.
Emergency 911	Ark. Code Ann. § 12-10-318 established fund to receive fees collected by telephone providers for 911 emergency services.
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.
County Recorder's Cost	Ark. Code Ann. § 21-6-306 established fund to receive fees collected by circuit clerks to be used for automated record systems.
Treasurer's Automation	Ark. Code Ann. § 21-6-302 established fund to receive up to 10% 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 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.
County Clerk's Cost	Ark. Code Ann. § 16-20-407 established a \$2 marriage license fee to be used for County Clerk's costs.
Collector's Automation	Ark. Code Ann. § 21-6-305 established fund to receive up to 10% of Collector's gross commissions to operate the Collector's office and to purchase, maintain, and operate an automated record keeping system.

WASHINGTON COUNTY, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2011

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

Fund Name	Fund Description
County Clerk's Recorder and Automation Cost	Ark. Code Ann. § 21-6-413 established a percentage of Clerk's fees to be used to purchase, maintain, and operate automated records systems.
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.
Drug Enforcement - State	Ark. Code Ann. § 5-64-505 established fund to separately account for funds received through the Federal Equitable Sharing Agreement.
Drug Enforcement - Federal	Ark. Code Ann. § 5-64-505 established fund to separately account for funds received through the Equitable Sharing Agreement.
Homeland Security Grant	Grants received for Homeland Security and Law Enforcement Terrorism Prevention Program.
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.
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.

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.

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

Assessor's accounts consist of a change fund.

County Judge's accounts are mainly change funds for several departments.

WASHINGTON COUNTY, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2011
(Unaudited)

Schedule 3

	<u>December 31, 2011</u>
Land	\$ 3,499,187
Buildings	65,299,963
Equipment	<u>23,988,314</u>
Total	<u>\$ 92,787,464</u>

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

Schedule 4

<u>General</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total Assets	\$ 30,682,532	\$ 30,920,178	\$ 30,968,052	\$ 28,037,118	\$ 26,612,453
Total Liabilities	538,360	808,116	929,104	856,780	3,899
Total Fund Balances	30,144,172	30,112,062	30,038,948	27,180,338	26,608,554
Net Revenues	28,984,619	29,706,003	28,632,265	29,424,563	27,994,813
Total Expenditures	29,500,770	30,737,975	27,059,088	29,999,741	23,985,423
Total Other Financing Sources/Uses	546,580	1,105,086	1,285,433	250,331	952,448
 <u>Road</u>					
Total Assets	\$ 3,471,792	\$ 3,730,271	\$ 3,413,635	\$ 2,974,502	\$ 2,795,808
Total Liabilities	327,278	364,016	859,599	565,695	816
Total Fund Balances	3,144,514	3,366,255	2,554,036	2,408,807	2,794,992
Net Revenues	7,513,691	7,799,636	8,529,257	8,081,377	7,579,792
Total Expenditures	8,294,008	6,854,337	8,376,077	8,595,146	7,865,406
Total Other Financing Sources/Uses	558,576	(133,080)	(7,950)		267,241
 <u>Other Funds in the Aggregate</u>					
Total Assets	\$ 20,604,107	\$ 19,753,484	\$ 23,201,968	\$ 23,230,839	\$ 16,008,508
Total Liabilities	13,108,748	10,122,740	12,197,222	8,803,280	7,936,440
Total Fund Balances	7,495,359	9,630,744	11,004,746	14,427,559	8,072,068
Net Revenues	17,761,325	17,531,072	16,904,936	18,022,610	15,483,780
Total Expenditures	18,791,554	17,933,068	19,050,268	17,750,614	14,718,607
Total Other Financing Sources/Uses	(1,105,156)	(972,006)	(1,277,483)	5,214,737	(952,448)

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