

Newton County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2010

LEGISLATIVE JOINT AUDITING COMMITTEE



NEWTON 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 Four Years – Regulatory Basis (Unaudited)	4

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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

Newton 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 Newton 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 Newton 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 Newton County Nursing Home Board Fund has not been included in the County's regulatory basis financial statements. The regulatory basis as prescribed or permitted by Arkansas Code requires the Newton County Nursing Home Board Fund to be presented as part of the other funds in the aggregate, thus increasing the column's assets, liabilities, revenues, and expenditures. The amount by which this departure would affect the assets, liabilities, revenues, and expenditures of the other funds in the aggregate column is not reasonably determinable. The County's regulatory basis financial statements also 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, because of the effects on the financial statements of the omissions described in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective regulatory basis financial position of the other funds in the aggregate of Newton 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 our opinion, except for the effects of not disclosing all required information concerning deposit risks, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of the general fund and road fund of Newton 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 November 29, 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 Newton 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 Newton County, Arkansas. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, because of the effects on the financial information in the supporting schedules of the omissions described above, such information is not presented fairly 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 Four 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
November 29, 2011
LOCO05110

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

Newton 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 Newton County, Arkansas, as of and for the year ended December 31, 2010, and have issued our report thereon dated November 29, 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 opinion on the other funds in the aggregate was adverse because of the effects on the financial statements of not including the Newton County Nursing Home Board Fund, which is material to the other funds in the aggregate, and our opinions on the general fund and road fund were qualified because required disclosures were not made concerning deposit risks. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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: John Griffith
Treasurer: Jolena Breedlove
Sheriff: Keith Slape
Tax Collector: Nedra Daniels
County and Circuit Clerk: Donnie Davis
County Librarian: Teresa Hayes
District Court Clerk: Mona Ray

Our audit procedures indicated that the Offices of **Treasurer, Sheriff, Tax Collector, County and Circuit 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 **District Court Clerk**. Noncompliance with accepted accounting practices was noted in the Offices of **Sheriff** and **District Court Clerk**.

County Judge

General Fund expenditures exceeded appropriations by \$78,802. A similar finding was issued in the previous report.

District Court Clerk

- A. As previously reported, bank statements were not reconciled timely to receipts issued nor were ending balances identified to receipts issued for cases not yet adjudicated and payments on all unpaid time accounts as required by Ark. Code Ann. § 16-10-209.
- B. As previously reported, the District Court Clerk did not properly maintain the Court's automated software in that case dispositions were not updated in a timely manner and warrants reported in the system did not reflect the actual warrants outstanding.
- C. The Court Clerk did not furnish the presiding judge with a list of all unpaid time payment accounts for which a payment had not been received within the previous 30 days.

The following information system weaknesses were noted during a review of computers:

District Court Clerk

- A. As previously reported, backups were not stored at a suitable off-site facility. Failing to maintain backups at a secure off-site facility could result in a loss of data and the inability to continue operations in the event of a disaster.
- B. As previously reported, there was no formally documented and approved Disaster Recovery or Business Continuity Plan. 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 place undue financial and personnel burdens on the resources of the entity.

Sheriff

- A. As previously reported, backups were not stored at a suitable off-site facility. Failing to maintain backups at a secure off-site facility could result in a loss of data and the inability to continue operations in the event of a disaster.
- B. As previously reported, there was no formally documented and approved Disaster Recovery or Business Continuity Plan. 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 place undue financial and personnel burdens 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

A handwritten signature in cursive script that reads "June M. Barron".

June M. Barron, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
November 29, 2011

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

Exhibit A

	General	Road	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 968,499	\$ 220,108	\$ 3,382,865
Accounts receivable	167,653	223,227	82,446
TOTAL ASSETS	\$ 1,136,152	\$ 443,335	\$ 3,465,311
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 32,442	\$ 54,717	\$ 26,090
Settlements pending	35,615		425,325
Total Liabilities	68,057	54,717	451,415
Fund Balances:			
Reserved (Note 8)		388,618	3,013,896
Unreserved:			
Undesignated	1,068,095		
Total Fund Balances	1,068,095	388,618	3,013,896
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,136,152	\$ 443,335	\$ 3,465,311

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

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

Exhibit B

	<u>General</u>	<u>Road</u>	<u>Other Funds in the Aggregate</u>
REVENUES			
State aid	\$ 436,264	\$ 900,142	\$ 297,394
Federal aid	286,198	340,258	789,558
Property taxes	139,013	72,978	50,838
Sales taxes	121,333		419,031
Fines, forfeitures, and costs	89,671		20,405
Interest	15,340	3,429	28,022
Officers' fees	56,992		14,773
Sanitation and recycling fees	150,767		
Treasurer's commission	65,304		7,255
Collector's commission	77,329		11,979
Taxes apportioned - Assessor's salary and expense	134,978		
Other	34,593	28,740	11,168
	<u>1,607,782</u>	<u>1,345,547</u>	<u>1,650,423</u>
TOTAL REVENUES			
Less: Treasurer's commission	27,328	25,834	7,596
	<u>1,580,454</u>	<u>1,319,713</u>	<u>1,642,827</u>
NET REVENUES			
EXPENDITURES			
Current:			
General government	691,083		132,154
Law enforcement	548,376		241,140
Highways and streets		1,494,474	587,548
Public safety	9,422		9,783
Sanitation	245,765		21,757
Health	23,860		
Recreation and culture			122,596
Social services	36,609		
Total Current	<u>1,555,115</u>	<u>1,494,474</u>	<u>1,114,978</u>

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

Exhibit B

	General	Road	Other Funds in the Aggregate
EXPENDITURES (CONTINUED)			
Debt Service:			
Bond principal			\$ 75,000
Bond interest and other charges			77,862
Lease principal		\$ 40,747	
Lease interest		4,229	
TOTAL EXPENDITURES	\$ 1,555,115	1,539,450	1,267,840
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	25,339	(219,737)	374,987
OTHER FINANCING SOURCES (USES)			
Transfers in	17,779	274,555	63,400
Transfers out			(355,734)
TOTAL OTHER FINANCING SOURCES (USES)	17,779	274,555	(292,334)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	43,118	54,818	82,653
FUND BALANCES - JANUARY 1	1,024,977	333,800	2,931,243
FUND BALANCES - DECEMBER 31	\$ 1,068,095	\$ 388,618	\$ 3,013,896

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

NEWTON 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

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 322,373	\$ 436,264	\$ 113,891	\$ 901,082	\$ 900,142	\$ (940)
Federal aid	346,399	286,198	(60,201)	200,000	340,258	140,258
Property taxes	125,000	139,013	14,013	42,300	72,978	30,678
Sales taxes	80,000	121,333	41,333			
Fines, forfeitures, and costs	112,360	89,671	(22,689)			
Interest	6,700	15,340	8,640	2,800	3,429	629
Officers' fees	65,000	56,992	(8,008)			
Sanitation and recycling fees	150,000	150,767	767			
Treasurer's commission	72,000	65,304	(6,696)			
Collector's commission	80,000	77,329	(2,671)			
Taxes apportioned - Assessor's salary and expense	105,000	134,978	29,978			
Other	6,000	34,593	28,593	3,000	28,740	25,740
TOTAL REVENUES	1,470,832	1,607,782	136,950	1,149,182	1,345,547	196,365
Less: Treasurer's commission		27,328	(27,328)		25,834	(25,834)
NET REVENUES	1,470,832	1,580,454	109,622	1,149,182	1,319,713	170,531
EXPENDITURES						
Current:						
General government	709,983	691,083	18,900			
Law enforcement	487,524	548,376	(60,852)			
Highways and streets				1,516,081	1,494,474	21,607
Public safety	9,839	9,422	417			
Sanitation	245,167	245,765	(598)			
Health	23,800	23,860	(60)			
Social services		36,609	(36,609)			
Total Current	1,476,313	1,555,115	(78,802)	1,516,081	1,494,474	21,607
Debt Service:						
Lease principal				40,000	40,747	(747)
Lease interest					4,229	(4,229)
TOTAL EXPENDITURES	1,476,313	1,555,115	(78,802)	1,556,081	1,539,450	16,631

NEWTON 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

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (5,481)	\$ 25,339	\$ 30,820	\$ (406,899)	\$ (219,737)	\$ 187,162
OTHER FINANCING SOURCES (USES)						
Transfers in		17,779	17,779		274,555	274,555
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,481)	43,118	48,599	(406,899)	54,818	461,717
FUND BALANCES - JANUARY 1		1,024,977	1,024,977		333,800	333,800
FUND BALANCES - DECEMBER 31	\$ (5,481)	\$ 1,068,095	\$ 1,073,576	\$ (406,899)	\$ 388,618	\$ 795,517

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

NEWTON 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. The following fund of the County is not presented in this report: Newton County Nursing Home Board.

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, General Sales Tax, and State General Improvement.

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: County Road Disaster, County Community Matching Grant, Clerk's Recorder Cost, Judicial Fine Circuit Court (Juvenile Probation), Administrative Office of the Court Grant, Boating Safety, Arkansas Industrial Development Commission - Arkansas Energy Grant, Treasurer's Automation, Child Support Cost, Public Defender, County Road Sales Tax Machinery, County Road Sales Tax Matching, County Special Detention, District Court Automation, Emergency Vehicle, Collector's Automation, Game and Fish Education Grant, Homeland Security Law Enforcement Grant, Homeland Security Grant, Assessor's Amendment no. 79, Pay to Stay, Jail Booking Fee, Arkansas Geographic Information Project, Automated Records System, Title III Forest Reserve, Recycling Grant, Federal Emergency Management Agency (FEMA) Ice Storm 2009, County Library, County Library Board, Communication Facility and Equipment, Emergency Medical Services, Federal Emergency Management Agency (FEMA) Flood 2009, Newton County Fair Association Grant, and Community Enhancement Grant - Jail.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The following Capital Projects Fund is reported with other funds in the aggregate: Jail Construction.

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: Jail Bond Debt Service Reserve, Jail Bond Interest, and Jail Bond Debt Service.

NEWTON 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: Treasurer's Accounts (Treasurer's Commission, Collector's Unapportioned, Delinquent Personal Tax, Newton County Special Services, Interest, Common School, Law Library, Timber Tax, Jasper School District, Ozark Mountain School District, Harrison School District, Alpena School District, City of Jasper, City of Western Grove, Property Tax Relief, Deer/Mt. Judea School District, and Deer Child Care Unit Grant), County Judge's Account (Solid Waste), Sheriff's Accounts (Circuit Fine and Fee, Bond and Fine, Circuit Bond, and Seized Funds), County and Circuit Clerk's Accounts (Fee, Trust, and Child Support Fee), District Court Accounts (County, Small Claims, and Probation), and Collector's Account (Delinquent Tax).

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 accounts and certificates of deposit.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, officers' fees, solid waste fees, commissions, delinquent property taxes, and trust funds 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.

NEWTON 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 except for the Communication Facility and Equipment Fund.

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	\$ 71,302	\$ 68,877	\$ 2,474
Federal aid		132,171	43,539
Property taxes	725		
Sales taxes	12,558		27,916
Officers' fees	5,753		1,262
Sanitation and recycling fees	8,863		
Other	68,452	22,179	7,255
Totals	<u>\$ 167,653</u>	<u>\$ 223,227</u>	<u>\$ 82,446</u>

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	<u>\$ 32,442</u>	<u>\$ 54,717</u>	<u>\$ 26,090</u>

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

NOTE 6: 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 \$7,046,260. 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 \$1,962,002. The amount of short-term financing obligations was \$69,904, leaving a legal debt margin of \$1,892,098.

NOTE 7: Federal Funds Program Compliance

Newton County has contracted for the audit of the Federal Emergency Management Ice Storm Disaster Relief grant and other federal programs for 2010. This audit is currently on-going. Disbursements that are not in accordance with the federal program requirements are subject to reimbursement by the County.

A federal compliance audit of the U.S. Department of Homeland Security – Federal Emergency Management Agency – Public Assistance Grants was performed for the year ended December 31, 2009 with a report date of August 9, 2011. The following findings were noted in the report:

Finding 2009-1

To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions should be distributed among appropriate employees. The County officials did not segregate these duties to sufficiently reduce the risk of fraud or error and properly safeguard the County's assets because of limited financial resources. The Arkansas Legislative Joint Auditing Committee - Division of Legislative Audit recommended that the financial accounting duties in each office be segregated among employees to the extent possible.

Response

The County officials responded and indicated that their offices will segregate the duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions to the extent possible.

Finding 2009-2

Newton County, Arkansas did not submit the audit report and the Data Collection Form for reporting to the Federal Clearinghouse in a timely manner.

Response

The County's primary auditor, the Arkansas Legislative Joint Auditing Committee - Division of Legislative Audit's report was dated December 15, 2010, which was beyond the required completion date of the audit of federal expenditures. Because the Division of Legislative Audit does not perform audits for federal awards and the County's federal awards are under multiple CFDA numbers, the County must engage a secondary auditor to perform the audit of federal awards. Compliance with this requirement is dependent on the timeliness of the primary and secondary auditors. The County will seek to have the audits completed and submitted in a timely fashion.

NEWTON 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>Road Fund</u>	\$ 388,618
 <u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
County Road Disaster	\$ 109,217
County Community Matching Grant	11,500
Clerk's Recorder Cost	22,578
Judicial Fine Circuit Court (Juvenile Probation)	3,160
Boating Safety	3,595
Arkansas Industrial Development Commission - Arkansas Energy Grant	4,851
Treasurer's Automation	19,936
Child Support Cost	371
Public Defender	3,025
County Road Sales Tax Machinery	124,466
County Road Sales Tax Matching	445,483
County Special Detention	6,555
District Court Automation	3,131
Emergency Vehicle	295
Collector's Automation	58,509
Homeland Security Law Enforcement Grant	24
Homeland Security Grant	138
Assessor's Amendment no. 79	5,216
Pay to Stay	2,441
Jail Booking Fee	1,770
County Library	103,507
County Library Board	32,598
Communication Facility and Equipment	3,392
Emergency Medical Services	1,745
Arkansas Geographic Information Project	74,844
Automated Records System	2,033
Title III Forest Reserve	43,679
Recycling Grant	20,864
Federal Emergency Management Agency (FEMA) Flood 2009	382,528
Newton County Fair Association Grant	15,000
Community Enhancement Grant - Jail	65,000
Total Special Revenue	1,571,451
 Capital Projects Fund:	
Jail Construction	1,289,952
 Debt Service Funds:	
Jail Bond Debt Service	72,613
Jail Bond Debt Service Reserve	76,133
Jail Bond Interest	3,747
Total Debt Service	152,493
Total Other Funds in the Aggregate	\$ 3,013,896

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

NOTE 9: Commitments

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

	December 31, 2010
Long-Term liabilities	\$ 1,544,904
Reappraisal contract	207,552
Total Commitments	\$ 1,752,456

Long-Term Liabilities

Long-Term liabilities at December 31, 2010 are comprised of the following:

	December 31, 2010
Sales and Use Tax Series 2009 Bonds, dated May 27, 2009, issued for construction of a jail facility with final maturity on December 1, 2022. Interest rates are 3.17% - 3.25%. Payments are to be made from the Jail Bond Debt Service Fund.	\$ 1,475,000
Lease-purchase agreement with BankcorpSouth for the purchase of a Volvo motor grader, dated January 27, 2006; interest at 4.59% to be paid in 72 installments of \$2,172. Payments are to be made from the Road Fund.	29,558
Lease-purchase agreement with BankcorpSouth for the purchase of a Volvo motor grader, dated March 15, 2007; interest at 4.59% to be paid in 72 installments of \$1,576. Payments are to be made from the Road Fund.	40,346
Total Long-Term Liabilities	\$ 1,544,904

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

Compensated Absences

Compensated absences do vest or accumulate. The amount of compensated absences was not determined.

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

NOTE 9: Commitments (Continued)

Debt Service Requirements to Maturity

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

<u>Years Ending December 31, 2010</u>	<u>Bonds</u>	<u>Leases</u>	<u>Total</u>
2011	\$ 151,475	\$ 44,976	\$ 196,451
2012	152,220	23,252	175,472
2013	149,965	4,727	154,692
2014	151,555		151,555
2015	147,990		147,990
2016 through 2020	748,410		748,410
2021 through 2022	298,975		298,975
Total Obligations	<u>1,800,590</u>	<u>72,955</u>	<u>1,873,545</u>
Less Interest	<u>325,590</u>	<u>3,051</u>	<u>328,641</u>
Total Principal	<u>\$ 1,475,000</u>	<u>\$ 69,904</u>	<u>\$ 1,544,904</u>

Reappraisal Contract

The County entered into a professional services contract for \$311,318 with Mack-Reynolds Appraisal Company for real estate appraisal and reappraisal on December 10, 2009. Terms of the contract are monthly payments of \$8,648 for 36 months beginning on January 15, 2010. The County is obligated for the following amounts for the next two years:

<u>Year</u>	<u>Amount</u>
2011	\$ 103,776
2012	<u>103,776</u>
Total	<u>\$ 207,552</u>

Reappraisal expense for 2010 was \$103,776.

NOTE 10: Interfund Transfers

The General Fund received transfers of \$3,000 and \$14,779 from the County Special Detention Fund and the Recycling Grant Fund (Other Funds in the Aggregate), respectively, to reimburse for expenditures.

The Road Fund received transfers of \$274,555 from the FEMA Ice Storm 2009 Fund (Other Funds in the Aggregate) for reimbursement of expenditures incurred during the cleanup for the ice storm disaster.

Within the Other Funds in the Aggregate, the Arkansas Geographic Information Project Fund received \$63,400 from the FEMA Ice Storm 2009 Fund as matching funds for a rural development grant.

NOTE 11: Subsequent Events

On September 20, 2011, Newton County entered into an agreement in the amount of \$250,000 to purchase the property and building located at 105 E. Elm Street in Jasper, Arkansas for the construction of a jail complex.

On September 20, 2011, Newton County executed an agreement in the amount of \$840,000 with Davis Construction to construct a jail complex.

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

NOTE 12: Pledged Revenues

The County pledged future .5% sales and use taxes to repay \$1,550,000 in bonds that were issued in 2009 to provide funding for construction of a jail. Total principal and interest remaining on the bonds are \$1,475,000 and \$325,590, respectively, payable through June 2022. For 2010, principal and interest paid were \$75,000 and \$77,862, respectively.

The Debt Service Fund received \$193,698 in sales taxes in 2010.

NOTE 13: Jointly Governed Organization

The County is a member of the Northwest Arkansas Regional Solid Waste District. This District is a jointly governed organization comprised of representatives from Baxter, Boone, Carroll, Marion, Newton, and Searcy Counties and participating cities within the aforementioned counties. Representatives are the respective county judges and mayors unless some other representative is appointed by the participating entity. The County paid \$35,101 to the Northwest Arkansas Regional Solid Waste District during 2010.

NOTE 14: 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 area:

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.

The County participates in the Arkansas Public Entities Risk Management Association (APERMA) public entity risk pool for coverage in the following areas:

Building and Contents Program - This program is a blanket policy with coverage up to \$100,000,000 for any one loss with a \$500 deductible. The County shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered county property.

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 for in-state claims is \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident, and \$25,000 for property damage per accident (\$100,000 respectively for out-of-state claims). 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 and mobile equipment which are the property of the participating county. Property is valued at the cost to repair or replace the property after deduction for depreciation. Loss amounts will be reduced by the deductible amount of \$1,000 for Sheriff's Department vehicles and \$500 for all other covered vehicles and mobile equipment. 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 \$350,000. The County shall pay into the program each year a charge established annually by the Risk Management Fund Board for this coverage.

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

NOTE 14: Risk Management (Continued)

The County also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$250,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the County Aid Fund. There is a \$1,000 deductible per occurrence.

NOTE 15: 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.

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

Schedule 1

	SPECIAL REVENUE FUNDS								
	County Road Disaster	County Community Matching Grant	Clerk's Recorder Cost	Judicial Fine Circuit Court (Juvenile Probation)	Boating Safety	Arkansas Industrial Development Commission - Arkansas Energy Grant	Treasurer's Automation	Child Support Cost	Public Defender
ASSETS									
Cash and cash equivalents	\$ 110,016	\$ 11,500	\$ 22,508	\$ 3,160	\$ 3,595	\$ 4,851	\$ 12,681	\$ 371	\$ 3,025
Accounts receivable			1,262				7,255		
TOTAL ASSETS	\$ 110,016	\$ 11,500	\$ 23,770	\$ 3,160	\$ 3,595	\$ 4,851	\$ 19,936	\$ 371	\$ 3,025
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 799		\$ 1,192						
Settlements pending									
Total Liabilities	799		1,192						
Fund Balances:									
Reserved (Note 8)	109,217	\$ 11,500	22,578	\$ 3,160	\$ 3,595	\$ 4,851	\$ 19,936	\$ 371	\$ 3,025
TOTAL LIABILITIES AND FUND BALANCES	\$ 110,016	\$ 11,500	\$ 23,770	\$ 3,160	\$ 3,595	\$ 4,851	\$ 19,936	\$ 371	\$ 3,025

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

Schedule 1

SPECIAL REVENUE FUNDS									
	County Road Sales Tax Machinery	County Road Sales Tax Matching	County Special Detention	District Court Automation	Emergency Vehicle	Collector's Automation	Homeland Security Law Enforcement Grant	Homeland Security Grant	Assessor's Amendment no. 79
ASSETS									
Cash and cash equivalents	\$ 116,383	\$ 438,555	\$ 7,982	\$ 3,131	\$ 295	\$ 59,344	\$ 24	\$ 138	\$ 4,626
Accounts receivable	8,083	6,928							2,474
TOTAL ASSETS	\$ 124,466	\$ 445,483	\$ 7,982	\$ 3,131	\$ 295	\$ 59,344	\$ 24	\$ 138	\$ 7,100
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable			\$ 1,427			\$ 835			\$ 1,884
Settlements pending									
Total Liabilities			1,427			835			1,884
Fund Balances:									
Reserved (Note 8)	\$ 124,466	\$ 445,483	6,555	\$ 3,131	\$ 295	58,509	\$ 24	\$ 138	5,216
TOTAL LIABILITIES AND FUND BALANCES	\$ 124,466	\$ 445,483	\$ 7,982	\$ 3,131	\$ 295	\$ 59,344	\$ 24	\$ 138	\$ 7,100

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

Schedule 1

SPECIAL REVENUE FUNDS									
	Pay to Stay	Jail Booking Fee	Arkansas Geographic Information Project	Automated Records System	Title III Forest Reserve	Recycling Grant	County Library	County Library Board	Communication Facility and Equipment
ASSETS									
Cash and cash equivalents	\$ 2,441	\$ 1,770	\$ 75,996	\$ 15,748	\$ 140	\$ 22,614	\$ 106,843	\$ 32,598	\$ 3,392
Accounts receivable					43,539				
TOTAL ASSETS	\$ 2,441	\$ 1,770	\$ 75,996	\$ 15,748	\$ 43,679	\$ 22,614	\$ 106,843	\$ 32,598	\$ 3,392
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable			\$ 1,152	\$ 13,715		\$ 1,750	\$ 3,336		
Settlements pending									
Total Liabilities			<u>1,152</u>	<u>13,715</u>		<u>1,750</u>	<u>3,336</u>		
Fund Balances:									
Reserved (Note 8)	\$ 2,441	\$ 1,770	74,844	2,033	\$ 43,679	20,864	103,507	\$ 32,598	\$ 3,392
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,441	\$ 1,770	\$ 75,996	\$ 15,748	\$ 43,679	\$ 22,614	\$ 106,843	\$ 32,598	\$ 3,392

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

Schedule 1

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS		
	Emergency Medical Services	FEMA Flood 2009	Newton County Fair Association Grant	Community Enhancement Grant - Jail	Jail Construction	Jail Bond Debt Service Reserve	Jail Bond Interest	Jail Bond Debt Service
ASSETS								
Cash and cash equivalents	\$ 1,745	\$ 382,528	\$ 15,000	\$ 65,000	\$ 1,289,952	\$ 76,133	\$ 3,747	\$ 59,708
Accounts receivable								12,905
TOTAL ASSETS	\$ 1,745	\$ 382,528	\$ 15,000	\$ 65,000	\$ 1,289,952	\$ 76,133	\$ 3,747	\$ 72,613
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable								
Settlements pending								
Total Liabilities								
Fund Balances:								
Reserved (Note 8)	\$ 1,745	\$ 382,528	\$ 15,000	\$ 65,000	\$ 1,289,952	\$ 76,133	\$ 3,747	\$ 72,613
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,745	\$ 382,528	\$ 15,000	\$ 65,000	\$ 1,289,952	\$ 76,133	\$ 3,747	\$ 72,613

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

Schedule 1

AGENCY FUNDS							
	Treasurer's Accounts	Collector's Accounts	Sheriff's Accounts	County and Circuit Clerk's Accounts	District Court Accounts	County Judge's Account	Totals
ASSETS							
Cash and cash equivalents	\$ 210,908	\$ 15,393	\$ 31,847	\$ 109,643	\$ 48,671	\$ 8,863	\$ 3,382,865
Accounts receivable							82,446
TOTAL ASSETS	\$ 210,908	\$ 15,393	\$ 31,847	\$ 109,643	\$ 48,671	\$ 8,863	\$ 3,465,311
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable							\$ 26,090
Settlements pending	\$ 210,908	\$ 15,393	\$ 31,847	\$ 109,643	\$ 48,671	\$ 8,863	425,325
Total Liabilities	210,908	15,393	31,847	109,643	48,671	8,863	451,415
Fund Balances:							
Reserved (Note 8)							3,013,896
TOTAL LIABILITIES AND FUND BALANCES	\$ 210,908	\$ 15,393	\$ 31,847	\$ 109,643	\$ 48,671	\$ 8,863	\$ 3,465,311

NEWTON 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							
	County Road Disaster	County Community Matching Grant	Clerk's Recorder Cost	Judicial Fine Circuit Court (Juvenile Probation)	Administrative Office of the Court Grant	Boating Safety	Arkansas Industrial Development Commission - Arkansas Energy Grant	Treasurer's Automation
REVENUES								
State aid	\$ 22,099	\$ 20,629				\$ 907		
Federal aid	11,268							
Property taxes								
Sales taxes								
Fines, forfeitures, and costs								
Interest			\$ 391	\$ 54	\$ 39	77	\$ 314	\$ 6
Officers' fees			12,731	85				
Treasurer's commission							7,255	
Collector's commission								
Other								
TOTAL REVENUES	33,367	20,629	13,122	139	39	984	7,569	6
Less: Treasurer's commission			267	3		20		
NET REVENUES	33,367	20,629	12,855	136	39	964	7,569	6
EXPENDITURES								
Current:								
General government			13,147			3,696	9,323	
Law enforcement					3,616			
Highways and streets	491,021							
Public safety		9,783						
Sanitation								
Recreation and culture								
Total Current	491,021	9,783	13,147		3,616	3,696	9,323	
Debt Service:								
Bond principal								
Bond interest and other charges								
TOTAL EXPENDITURES	491,021	9,783	13,147		3,616	3,696	9,323	

NEWTON 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								
	County Road Disaster	County Community Matching Grant	Clerk's Recorder Cost	Judicial Fine Circuit Court (Juvenile Probation)	Administrative Office of the Court Grant	Boating Safety	Arkansas Industrial Development Commission - Arkansas Energy Grant	Treasurer's Automation	Child Support Cost
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (457,654)	\$ 10,846	\$ (292)	\$ 136	\$ (3,577)	\$ (2,732)		\$ (1,754)	\$ 6
OTHER FINANCING SOURCES (USES)									
Transfers in									
Transfers out									
TOTAL OTHER FINANCING SOURCES (USES)									
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(457,654)	10,846	(292)	136	(3,577)	(2,732)		(1,754)	6
FUND BALANCES - JANUARY 1	566,871	654	22,870	3,024	3,577	6,327	\$ 4,851	21,690	365
FUND BALANCES - DECEMBER 31	<u>\$ 109,217</u>	<u>\$ 11,500</u>	<u>\$ 22,578</u>	<u>\$ 3,160</u>	<u>\$ 0</u>	<u>\$ 3,595</u>	<u>\$ 4,851</u>	<u>\$ 19,936</u>	<u>\$ 371</u>

NEWTON 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

	Public Defender	County Road Sales Tax Machinery	County Road Sales Tax Matching	County Special Detention	District Court Automation	Emergency Vehicle	Collector's Automation	Game and Fish Education Grant	Homeland Security Law Enforcement Grant
REVENUES									
State aid								\$ 6,559	
Federal aid									\$ 10,863
Property taxes									
Sales taxes		\$ 121,333	\$ 104,000						
Fines, forfeitures, and costs				\$ 13,902	\$ 1,110				
Interest		885	6,638	111	38		\$ 895		24
Officers' fees									
Treasurer's commission									
Collector's commission							11,979		
Other		108							
TOTAL REVENUES		122,326	110,638	14,013	1,148		12,874	6,559	10,887
Less: Treasurer's commission		2,474	2,239	280	23		18		
NET REVENUES		119,852	108,399	13,733	1,125		12,856	6,559	10,887
EXPENDITURES									
Current:									
General government							7,230	6,559	
Law enforcement				10,768					10,863
Highways and streets		37,449	17,744						
Public safety									
Sanitation									
Recreation and culture									
Total Current		37,449	17,744	10,768			7,230	6,559	10,863
Debt Service:									
Bond principal									
Bond interest and other charges									
TOTAL EXPENDITURES		37,449	17,744	10,768			7,230	6,559	10,863

NEWTON 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

	Public Defender	County Road Sales Tax Machinery	County Road Sales Tax Matching	County Special Detention	District Court Automation	Emergency Vehicle	Collector's Automation	Game and Fish Education Grant	Homeland Security Law Enforcement Grant
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		\$ 82,403	\$ 90,655	\$ 2,965	\$ 1,125		\$ 5,626		\$ 24
OTHER FINANCING SOURCES (USES)									
Transfers in									
Transfers out				(3,000)					
TOTAL OTHER FINANCING SOURCES (USES)				(3,000)					
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		82,403	90,655	(35)	1,125		5,626		24
FUND BALANCES - JANUARY 1	\$ 3,025	42,063	354,828	6,590	2,006	\$ 295	52,883		
FUND BALANCES - DECEMBER 31	\$ 3,025	\$ 124,466	\$ 445,483	\$ 6,555	\$ 3,131	\$ 295	\$ 58,509	\$ 0	\$ 24

NEWTON 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

	Homeland Security Grant	Assessor's Amendment no. 79	Pay to Stay	Jail Booking Fee	Arkansas Geographic Information Project	Automated Records System	Title III Forest Reserve	Recycling Grant	FEMA Ice Storm 2009
REVENUES									
State aid		\$ 2,474			\$ 56,898			\$ 55,465	
Federal aid	\$ 13,332						\$ 43,539		\$ 285,186
Property taxes									
Sales taxes									
Fines, forfeitures, and costs			\$ 4,088	\$ 1,305					
Interest	138	138	17	18					
Officers' fees									
Treasurer's commission									
Collector's commission									
Other									
TOTAL REVENUES	13,470	2,612	4,105	1,323	56,898		43,539	55,465	285,186
Less: Treasurer's commission		64	78	26					
NET REVENUES	13,470	2,548	4,027	1,297	56,898		43,539	55,465	285,186
EXPENDITURES									
Current:									
General government		7,328			51,438	\$ 19,012			14,421
Law enforcement	13,332		1,391	57			56,108		
Highways and streets									
Public safety									
Sanitation								21,757	
Recreation and culture									
Total Current	13,332	7,328	1,391	57	51,438	19,012	56,108	21,757	14,421
Debt Service:									
Bond principal									
Bond interest and other charges									
TOTAL EXPENDITURES	13,332	7,328	1,391	57	51,438	19,012	56,108	21,757	14,421

NEWTON 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

	Homeland Security Grant	Assessor's Amendment no. 79	Pay to Stay	Jail Booking Fee	Arkansas Geographic Information Project	Automated Records System	Title III Forest Reserve	Recycling Grant	FEMA Ice Storm 2009
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 138	\$ (4,780)	\$ 2,636	\$ 1,240	\$ 5,460	\$ (19,012)	\$ (12,569)	\$ 33,708	\$ 270,765
OTHER FINANCING SOURCES (USES)									
Transfers in					63,400				
Transfers out								(14,779)	(337,955)
TOTAL OTHER FINANCING SOURCES (USES)					63,400			(14,779)	(337,955)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	138	(4,780)	2,636	1,240	68,860	(19,012)	(12,569)	18,929	(67,190)
FUND BALANCES - JANUARY 1		9,996	(195)	530	5,984	21,045	56,248	1,935	67,190
FUND BALANCES - DECEMBER 31	\$ 138	\$ 5,216	\$ 2,441	\$ 1,770	\$ 74,844	\$ 2,033	\$ 43,679	\$ 20,864	\$ 0

NEWTON 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						
	County Library	County Library Board	Communication Facility and Equipment	Emergency Medical Services	FEMA Flood 2009	Newton County Fair Association Grant	Community Enhancement Grant - Jail
REVENUES							
State aid	\$ 52,363					\$ 15,000	\$ 65,000
Federal aid			\$ 2,280		\$ 423,090		
Property taxes	50,838						
Sales taxes							
Fines, forfeitures, and costs							
Interest	1,661		3		772		
Officers' fees			1,957				
Treasurer's commission							
Collector's commission							
Other	1,049	\$ 10,011					
TOTAL REVENUES	105,911	10,011	4,240		423,862	15,000	65,000
Less: Treasurer's commission	2,104						
NET REVENUES	103,807	10,011	4,240		423,862	15,000	65,000
EXPENDITURES							
Current:							
General government							
Law enforcement			3,409				
Highways and streets					41,334		
Public safety							
Sanitation							
Recreation and culture	96,809	25,787					
Total Current	96,809	25,787	3,409		41,334		
Debt Service:							
Bond principal							
Bond interest and other charges							
TOTAL EXPENDITURES	96,809	25,787	3,409		41,334		

NEWTON 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						
	County Library	County Library Board	Communication Facility and Equipment	Emergency Medical Services	FEMA Flood 2009	Newton County Fair Association Grant	Community Enhancement Grant - Jail
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 6,998	\$ (15,776)	\$ 831		\$ 382,528	\$ 15,000	\$ 65,000
OTHER FINANCING SOURCES (USES)							
Transfers in							
Transfers out							
TOTAL OTHER FINANCING SOURCES (USES)							
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	6,998	(15,776)	831		382,528	15,000	65,000
FUND BALANCES - JANUARY 1	96,509	48,374	2,561	\$ 1,745			
FUND BALANCES - DECEMBER 31	\$ 103,507	\$ 32,598	\$ 3,392	\$ 1,745	\$ 382,528	\$ 15,000	\$ 65,000

NEWTON 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

	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS			Totals
	Jail Construction	Jail Bond Debt Service Reserve	Jail Bond Interest	Jail Bond Debt Service	
REVENUES					
State aid					\$ 297,394
Federal aid					789,558
Property taxes					50,838
Sales taxes				\$ 193,698	419,031
Fines, forfeitures, and costs					20,405
Interest	\$ 13,836		\$ 223	1,744	28,022
Officers' fees					14,773
Treasurer's commission					7,255
Collector's commission					11,979
Other					11,168
TOTAL REVENUES	13,836		223	195,442	1,650,423
Less: Treasurer's commission					7,596
NET REVENUES	13,836		223	195,442	1,642,827
EXPENDITURES					
Current:					
General government					132,154
Law enforcement	141,596				241,140
Highways and streets					587,548
Public safety					9,783
Sanitation					21,757
Recreation and culture					122,596
Total Current	141,596				1,114,978
Debt Service:					
Bond principal				75,000	75,000
Bond interest and other charges		\$ 4		77,858	77,862
TOTAL EXPENDITURES	141,596	4		152,858	1,267,840

NEWTON 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

	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS			Totals
	Jail Construction	Jail Bond Debt Service Reserve	Jail Bond Interest	Jail Bond Debt Service	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (127,760)	\$ (4)	\$ 223	\$ 42,584	\$ 374,987
OTHER FINANCING SOURCES (USES)					
Transfers in					63,400
Transfers out					(355,734)
TOTAL OTHER FINANCING SOURCES (USES)					(292,334)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(127,760)	(4)	223	42,584	82,653
FUND BALANCES - JANUARY 1	<u>1,417,712</u>	<u>76,137</u>	<u>3,524</u>	<u>30,029</u>	<u>2,931,243</u>
FUND BALANCES - DECEMBER 31	<u>\$ 1,289,952</u>	<u>\$ 76,133</u>	<u>\$ 3,747</u>	<u>\$ 72,613</u>	<u>\$ 3,013,896</u>

NEWTON 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.

<u>Fund Name</u>	<u>Fund Description</u>
County Road Disaster	Fund established to account for Federal Emergency Management Agency funds received for disaster relief.
County Community Matching Grant	Fund established to account for grant proceeds dealing with the Compton Fire Department.
Clerk's Recorder Cost	Ark. Code Ann. § 21-6-306 established fund to receive fees collected by circuit clerks to be used for automated record systems and any legitimate county purpose.
Judicial Fine Circuit Court (Juvenile Probation)	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.
Administrative Office of the Court Grant	Ark. Code Ann. § 16-10-1006 established fund for the purpose of providing financial assistance to local governments to assist in the implementation of local security and emergency preparedness plans for circuit and district courts.
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.
Arkansas Industrial Development Commission - Arkansas Energy Grant	Fund established to account for grant proceeds for courthouse renovations.
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.
Child Support Cost	Ark. Code Ann. § 9-10-109 established fund to receive fees to offset administrative costs in the Clerk's office.
Public Defender	Ark. Code Ann. § 16-10-307 established the County Administration of Justice Fund which continued to finance this fund used for defense of indigents.
County Road Sales Tax Machinery	Newton County Ordinance no. 92-45 (December 1, 1992) established the fund to account for sales tax funds received for the purchase of machinery.
County Road Sales Tax Matching	Newton County Ordinance no. 92-45 (December 1, 1992) established the fund to account for sales tax funds received for matching purposes.
County Special Detention	Ark. Code Ann. § 16-17-129 allows a county to levy an additional fine not to exceed \$20. Funds shall be used exclusively to defray the cost of incarcerating county prisoners, including construction and maintenance of the county jail.

NEWTON 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.

<u>Fund Name</u>	<u>Fund Description</u>
District 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.
Emergency Vehicle	Ark. Code Ann. § 27-22-103 established fund for increasing the fine for failure to license motor vehicles to be used for the purchase and maintenance of rescue, emergency medical, and law enforcement vehicles.
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.
Game and Fish Education Grant	Ark. Code Ann. § 6-16-1101 established fund to receive grants to be used for school and fish and wildlife conservation education programs.
Homeland Security Law Enforcement Grant	Grants received from Arkansas Department of Emergency Management for the purpose of purchasing equipment.
Homeland Security Grant	Grants received from Arkansas Department of Emergency Management for the purpose of purchasing equipment.
Assessor's Amendment no. 79	Ark. Code Ann. § 26-26-310 provides that one percent of the County's share of surplus funds from the Property Tax Relief Trust Fund be allocated to county assessors for the purpose of administering Arkansas Constitution, Amendment no. 79.
Pay to Stay	Ark. Code Ann. § 12-41-505 established fund to account for costs received from individuals convicted of criminal offenses to pay for their transportation to jail and incarceration.
Jail Booking Fee	Ark. Code Ann. § 12-41-505 established fund to receive a \$20 booking and administration fee assessed on persons convicted of a felony or Class A misdemeanor to be used exclusively for the maintenance, operation, and capital expenditures of a county jail or regional detention facility.
Arkansas Geographic Information Project	Fund established to account for grant funds received from the Arkansas Geographic Information Project to be used for the development of the Newton County 911 system mapping.
Automated Records System	Fund established to account for grant received from the Association of Arkansas Counties to upgrade record storage in the County Clerk's Office.
Title III Forest Reserve	Fund established to account for Federal Title III Forest Reserve Funds.
Recycling Grant	Fund established to account for recycling grant proceeds.

NEWTON 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.

<u>Fund Name</u>	<u>Fund Description</u>
FEMA Ice Storm 2009	Fund established as required by the Federal Emergency Management Agency to account for Ice Storm FEMA grants.
County Library	Ark. Code Ann. § 13-2-404 established fund to account for Library property tax millage levied by the Quorum Court.
County Library Board	Funds established by the Newton County Library Board to account for fees, fines, and donations received by the Library.
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.
Emergency Medical Services	Fund maintained by the Emergency Medical Services Board for use in future building and maintenance projects.
FEMA Flood 2009	Fund established as required by the Federal Emergency Management Agency to account for FEMA grants for damages due to 2009 flooding.
Newton County Fair Association Grant	Fund established to account for the grant funds received for the purpose of county fair improvements.
Community Enhancement Grant - Jail	Fund established to account for grant received from Arkansas Rural Development to be used for jail improvements.
Jail Construction	2009 Jail Construction Bond indenture and Newton County Ordinance no. 09-16 (May 27, 2009) established this fund to account for bond proceeds and costs incurred in the construction of the Newton County Jail.
Jail Bond Debt Service Reserve	Reserved fund established by the 2009 Jail Construction Bond indenture to hold funds in reserve for debt service needs.
Jail Bond Interest	Fund established by the Jail Construction Bond indenture for accrued interest earned on the sale of the bonds.
Jail Bond Debt Service	Fund established by the Jail Construction Bond indenture to account for the proceeds from bond sales and sales taxes received for the semiannual debt service payments.

Treasurer's accounts consist primarily of money collected within the County awaiting settlement to outside entities.
 Collector's accounts consist primarily of delinquent taxes not yet distributed to the various taxing units.
 Sheriff's accounts consist primarily of fines and fees not yet remitted to the Treasurer, bonds held, and seized funds.
 County and Circuit Clerk's accounts consist primarily of fee money to be settled with Treasurer and trust money.
 District Court accounts consist primarily of fines and costs not yet distributed to the County and/or state.
 County Judge's account consists of solid waste fees awaiting settlement to County.

NEWTON COUNTY, ARKANSAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2010
(Unaudited)

Schedule 3

	<u>December 31, 2010</u>
Land	\$ 2,000
Buildings	712,146
Equipment	<u>3,057,099</u>
Total	<u><u>\$ 3,771,245</u></u>

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

Schedule 4

<u>General</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total Assets	\$ 1,136,152	\$ 1,094,674	\$ 821,448	\$ 568,829
Total Liabilities	68,057	69,697	79,507	64,995
Total Fund Balances	1,068,095	1,024,977	741,941	503,834
Net Revenues	1,580,454	1,689,316	1,749,919	1,781,264
Total Expenditures	1,555,115	1,468,041	1,511,817	1,794,660
Total Other Financing Sources/Uses	17,779	61,761	5	2,365
 <u>Road</u>				
Total Assets	\$ 443,335	\$ 366,850	\$ 99,068	\$ 71,523
Total Liabilities	54,717	33,050	24,253	7,232
Total Fund Balances	388,618	333,800	74,815	64,291
Net Revenues	1,319,713	1,334,889	1,091,195	1,174,146
Total Expenditures	1,539,450	1,275,939	1,280,671	1,113,311
Total Other Financing Sources/Uses	274,555	200,035	200,000	
 <u>Other Funds in the Aggregate</u>				
Total Assets	\$ 3,465,311	\$ 3,271,076	\$ 1,880,727	\$ 955,441
Total Liabilities	451,415	339,833	455,711	392,747
Total Fund Balances	3,013,896	2,931,243	1,425,016	562,694
Net Revenues	1,642,827	2,119,104	1,955,448	486,173
Total Expenditures	1,267,840	1,842,714	893,121	370,020
Total Other Financing Sources/Uses	(292,334)	1,229,838	(200,005)	(2,365)

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