

Faulkner County, Arkansas
Regulatory Basis Financial Statements
and Other Reports

December 31, 2011

LEGISLATIVE JOINT AUDITING COMMITTEE



FAULKNER COUNTY, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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	

SUPPLEMENTARY INFORMATION

	<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	

OTHER INFORMATION

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

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

Faulkner 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 Faulkner 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 Faulkner 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 Mayflower Water, Homeland Security, Teen Court, Faulkner County Saltillo Water Extension, Citizen Corp Grant, Under-Aged Substance Abuse, Faulkner County Disaster Recovery, Under-Aged Drinking Law Grant, Juvenile Court Grant, and Homeland Security Interoperable Emergency Communications Grant Program (IECGP) Funds have not been included in the County's regulatory basis financial statements. The regulatory basis as prescribed or permitted by Arkansas Code, requires the Mayflower Water, Homeland Security, Teen Court, Faulkner County Saltillo Water Extension Citizen Corp Grant, Under-Aged Substance Abuse, Faulkner County Disaster Recovery, Under-Aged Drinking Law Grant, Juvenile Court Grant, and Homeland Security IECGP Funds 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).

Further, 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 Faulkner County, Arkansas, as of December 31, 2011, and the respective changes in the regulatory basis financial position for the year then ended on the basis of accounting as described in Note 1(C).

Further, 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 Faulkner 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 December 19, 2012 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. Because of the significance of the matter described above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

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



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

Little Rock, Arkansas
December 19, 2012
LOCO02311

Arkansas

Sen. Bryan B. King
Senate Chair

Rep. Kim Hammer
House Chair

Sen. Linda Chesterfield
Senate Vice Chair

Rep. John W. Walker
House Vice Chair



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

Faulkner 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 Faulkner County, Arkansas, as of and for the year ended December 31, 2011, and have issued our report thereon dated December 19, 2012. 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 Mayflower Water, Homeland Security, Teen Court, Faulkner County Saltillo Water Extension, Citizen Corp Grant, Under-Aged Substance Abuse, Faulkner County Disaster Recovery, Under-Aged Drinking Law Grant, Juvenile Court Grant, and Homeland Security Interoperable Emergency Communications Grant Program (IECGP) Funds, which are material to the other funds in the aggregate. 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:

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 finding 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: Preston Scroggin
Treasurer: Regina Oakley
Sheriff: Karl Byrd
Tax Collector: Steve Simon
County Clerk: Melinda Reynolds
Circuit Clerk: Rhonda Wharton
Assessor: Jeff Stephens
County Librarian: Ruth Voss

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

County Judge

Competitive bids were not taken for all purchases in excess of \$20,000 as required by Ark. Code Ann. §§ 14-22-101 – 14-22-115. A similar finding was issued in the prior report.

Sheriff

The remaining bank balance in the Bond and Fine Fund bank account of \$18,689 was not identified with receipts issued but not yet entered on the arrest reports as required by Ark. Code Ann. § 16-10-207. Also, the remaining balances in the Circuit Bond and Fee Funds bank accounts of \$191,676 and \$80,780, respectively, were not identified. A similar finding was issued in the prior report.

Monthly bank reconciliations were not performed for the Circuit Bond, Fee, Communication Facility and Equipment, and Bond and Fine Funds as required by Ark. Code Ann. §§ 14-25-107, 16-10-207. These reconciliations were subsequently performed during 2012.

Prenumbered receipts were not issued for all items of income as required by Ark. Code Ann. §§ 14-25-108, 16-10-207. The amount of unreceipted deposits was \$30,032.

Completed traffic ticket books were not filed with the District Court Clerk as required by Ark. Code Ann. § 16-10-207.

Receipts for the Communication Facility and Equipment Fund were not deposited in a timely manner. Undeposited receipts of \$48,815 for September through December 2011 were deposited on June 6, 2012.

County Clerk

The County Judge's salary and related matching benefits were paid 100% from the County Road Fund in noncompliance with Ark. Code Ann. § 14-14-811.

Bank reconciliations were not properly prepared for all trust funds as required by Ark. Code Ann. § 14-25-107.

The salaries of the chief deputies in the Offices of Treasurer, County Clerk, Circuit Clerk, Collector, and Assessor and the Prosecuting Attorney's secretary were increased by \$799 each without Quorum Court appropriation as required by Ark. Code Ann. § 14-14-1203.

Receipts were not issued for all items of income as required by Ark. Code Ann. § 14-25-108.

County Librarian

County library employees are allowed to accumulate up to 640 hours of sick leave as approved by the County Library Board. This is in apparent conflict with the Faulkner County personnel manual which states "... This earned sick leave can be carried over and allowed to accumulate up to a maximum of 480 hours...".

Prenumbered checks were not issued for all disbursements as required by Ark. Code Ann. § 14-59-105. The Library had 28 debit card transactions totaling \$3,963.

The Library Board approved two full-time positions for the Library without Quorum Court appropriation as required by Ark. Code Ann. § 14-14-1203.

We discovered the following information systems weaknesses during a review of computers:

Sheriff

There was no formally documented and approved Disaster Recovery 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. A similar finding was issued in the prior report.

Assessor

Password controls again did not meet minimum industry standards. The minimum number of characters required for passwords was below industry standards. Passwords were not required to be changed on a periodic, recurring basis that did not exceed 90 days. Passwords were not required to contain a mixture of alpha and numeric characters. Failure to establish proper password controls increases the likelihood that an unauthorized person could gain access to the system.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local County government, state executive and oversight management, the federal awarding agencies, and pass-through entities, if applicable, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT



June M. Barron, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
December 19, 2012

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

Exhibit A

	General	Road	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 9,197,812	\$ 7,351,987	\$ 19,665,769
Accounts receivable	791,746	330,969	1,024,656
TOTAL ASSETS	\$ 9,989,558	\$ 7,682,956	\$ 20,690,425
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,500		\$ 35,023
Settlements pending			5,600,858
Total Liabilities	9,500		5,635,881
Fund Balances: (Note 7)			
Restricted	57,665	\$ 7,682,956	4,566,350
Committed			10,488,194
Assigned	247,698		
Unassigned	9,674,695		
Total Fund Balances	9,980,058	7,682,956	15,054,544
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,989,558	\$ 7,682,956	\$ 20,690,425

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

FAULKNER 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	\$ 1,314,845	\$ 2,296,069	\$ 222,715
Federal aid	148,892		40,798
Property taxes	6,283,183	2,335,601	1,503,624
Sales taxes			7,828,556
Fines, forfeitures, and costs	936,278		624,930
Interest	85,580	64,336	130,917
Officers' fees	203,103		1,155,393
Natural gas severance tax		362,818	
Jail fees	741,524		
911 fees			543,170
Gas company road reimbursements			24,615
Treasurer's commission	281,137		47,076
Collector's commission	438,777		150,000
Taxes apportioned - Assessor's salary and expense	1,045,770		
Other	510,365	78,288	353,617
	11,989,454	5,137,112	12,625,411
TOTAL REVENUES			
Less: Treasurer's commission	177,339	99,563	75,768
	11,812,115	5,037,549	12,549,643
NET REVENUES			
EXPENDITURES			
Current:			
General government	4,787,603		1,098,215
Law enforcement	6,269,983		4,663,012
Highways and streets		3,288,069	2,076,493
Public safety	112,781		597,582
Health	76,036		
Recreation and culture	4,500		1,494,789
Social services	168,519		
Total Current	11,419,422	3,288,069	9,930,091

FAULKNER 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:			
Note principal	\$ 348,786		
Note interest	2,365		
TOTAL EXPENDITURES	11,770,573	\$ 3,288,069	\$ 9,930,091
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	41,542	1,749,480	2,619,552
OTHER FINANCING SOURCES (USES)			
Transfers in	454,785		128,292
Transfers out	(36,650)		(546,427)
Note proceeds	701,151		
TOTAL OTHER FINANCING SOURCES (USES)	1,119,286		(418,135)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,160,828	1,749,480	2,201,417
FUND BALANCES - JANUARY 1	8,819,230	5,933,476	12,853,127
FUND BALANCES - DECEMBER 31	\$ 9,980,058	\$ 7,682,956	\$ 15,054,544

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

FAULKNER 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	\$ 1,397,758	\$ 1,314,845	\$ (82,913)	\$ 2,120,000	\$ 2,296,069	\$ 176,069
Federal aid	50,453	148,892	98,439			
Property taxes	5,087,750	6,283,183	1,195,433	1,832,350	2,335,601	503,251
Fines, forfeitures, and costs	1,027,652	936,278	(91,374)			
Interest	19,000	85,580	66,580	32,300	64,336	32,036
Officers' fees	205,107	203,103	(2,004)			
Natural gas severance tax				120,000	362,818	242,818
Jail fees	915,500	741,524	(173,976)			
Treasurer's commission	240,000	281,137	41,137			
Collector's commission	370,000	438,777	68,777			
Taxes apportioned - Assessor's salary and expense	910,000	1,045,770	135,770			
Other	446,165	510,365	64,200	53,590	78,288	24,698
TOTAL REVENUES	10,669,385	11,989,454	1,320,069	4,158,240	5,137,112	978,872
Less: Treasurer's commission		177,339	(177,339)		99,563	(99,563)
NET REVENUES	10,669,385	11,812,115	1,142,730	4,158,240	5,037,549	879,309
EXPENDITURES						
Current:						
General government	9,079,484	4,787,603	4,291,881			
Law enforcement	6,941,741	6,269,983	671,758			
Highways and streets				4,009,146	3,288,069	721,077
Public safety	206,815	112,781	94,034			
Sanitation						
Health	89,600	76,036	13,564			
Recreation and culture	4,500	4,500				
Social services	185,519	168,519	17,000			
Total Current	16,507,659	11,419,422	5,088,237	4,009,146	3,288,069	721,077
Debt Service:						
Note principal		348,786	(348,786)			
Note interest		2,365	(2,365)			
TOTAL EXPENDITURES	16,507,659	11,770,573	4,737,086	4,009,146	3,288,069	721,077

FAULKNER 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)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (5,838,274)	\$ 41,542	\$ 5,879,816	\$ 149,094	\$ 1,749,480	\$ 1,600,386
OTHER FINANCING SOURCES (USES)						
Transfers in	548,600	454,785	(93,815)			
Transfers out		(36,650)	(36,650)			
Note proceeds	1,052,303	701,151	(351,152)			
TOTAL OTHER FINANCING SOURCES (USES)	1,600,903	1,119,286	(481,617)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(4,237,371)	1,160,828	5,398,199	149,094	1,749,480	1,600,386
FUND BALANCES - JANUARY 1,	6,989,988	8,819,230	1,829,242	5,317,155	5,933,476	616,321
FUND BALANCES - DECEMBER 31	\$ 2,752,617	\$ 9,980,058	\$ 7,227,441	\$ 5,466,249	\$ 7,682,956	\$ 2,216,707

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

FAULKNER 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. The following funds of the County are not presented in this report: Mayflower Water, Homeland Security, Teen Court, Faulkner County Saltillo Water Extension, Citizen Corp Grant, Under-Aged Substance Abuse, Faulkner County Disaster Recovery, Under-Aged Drinking Law Grant, Juvenile Court Grant, and Homeland Security IECGP.

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, Tax Assessor's Late Assessment Fee, Rural Fire Protection, Commissary, 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, and natural gas severance taxes 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: County Recorder's Cost, Breathalyzer, Emergency Squad, County Library, Road Sales Tax, Public Defender, Jail Fees, Juvenile Services (Act 1262 of 1995), Emergency 911, Treasurer's Automation, Jail Fines, Public Safety Answering Point, Victim/Witness, Child Support, Juvenile Probation Fees, Juvenile Jail Grant, Public Defender Investigator, Juvenile Court Representation, County Clerk's Cost, Collector's Automation, Museum, Wastewater Feasibility Study, Public Safety (Act 749 of 1983), Jail Booking, Communication Facility and Equipment, Animal Control, Wastewater Feasibility Matching, Federal Drug Forfeiture, Criminal Justice Sales Tax, Library Sales Tax, and Grassy Lake Road Project.

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, Administration of Justice, Assessor's Salary, Collector's Commission, State Land Sales, County General School, Property Tax Relief, and School Accounts); Collector's Accounts (Current Tax, Delinquent Tax, and Credit Card); Sheriff's Accounts (Fee, Bond, and Fine, Circuit Bond, and Commissary); County Clerk's Accounts (Fee and Trust); Circuit Clerk's Accounts (Fee, Trust, and Child Support); and District Court Account (Juvenile).

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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, trust funds, officers' fees, commissions, and property taxes 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. Committed fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Quorum Court.
3. 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.
4. 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.

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.

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.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

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	\$ 94,311	\$ 182,194	
Federal aid			\$ 10,804
Property taxes	284,911	106,978	56,995
Sales taxes			643,695
Fines, forfeitures, and costs	61,109		11,963
Interest	4,179	1,551	855
Officers' fees	21,094		82,082
911 fees			18,890
Jail fees	12,770		26,085

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

NOTE 4: Accounts Receivable (Continued)

Description	General Fund	Road Fund	Other Funds in the Aggregate
Treasurer's commission	\$ 30,990		
Collector's commission	72,010		\$ 150,000
Taxes apportioned - Assessor's salary and expense	117,137		
Other	<u>93,235</u>	<u>\$ 40,246</u>	<u>23,287</u>
Totals	<u>\$ 791,746</u>	<u>\$ 330,969</u>	<u>\$ 1,024,656</u>

NOTE 5: Accounts Payable

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

Description	General Fund	Other Funds in the Aggregate
Vendor payables	<u>\$ 9,500</u>	<u>\$ 35,023</u>

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, 2011, the legal debt limit for bonded debt was \$146,457,614. 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 \$37,757,564. The amount of short-term financing obligations was \$352,365, leaving a legal debt margin of \$37,405,199.

NOTE 7: 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
Restricted for:			
General government	\$ 31,546		\$ 1,029,629
Law enforcement	26,074		1,482,507
Highways and streets		\$ 7,682,956	
Public safety	45		714,792
Recreation and culture			1,339,422
Total Restricted	<u>57,665</u>	<u>7,682,956</u>	<u>4,566,350</u>
Committed for:			
Law enforcement			2,397,276
Highways and streets			7,721,497
Public safety			136,433
Recreation and culture			232,988
Total Committed			<u>10,488,194</u>

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

NOTE 7: Details of Fund Balance Classifications (Continued)

Description	General	Road	Other Funds in the Aggregate
Assigned to:			
Law enforcement	\$ 247,698		
Unassigned	<u>9,674,695</u>		
Totals	<u>\$ 9,980,058</u>	<u>\$ 7,682,956</u>	<u>\$ 15,054,544</u>

NOTE 8: Commitments

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

	<u>December 31, 2011</u>
Long-Term Liabilities	<u>\$ 352,365</u>

Long-Term Liabilities

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

	<u>December 31, 2011</u>
Promissory note for the purchase and upgrade of real property; \$701,151 due in annual installments over two years; 3.16% interest; payable from the General Fund.	<u>\$ 352,365</u>

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

Compensated Absences

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

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:

Year Ending December 31,	Notes
2012	\$ 362,755
Total Obligations	<u>362,755</u>
Less Interest	<u>10,390</u>
Total Principal	<u>\$ 352,365</u>

NOTE 9: Interfund Transfers

The General Fund transferred \$36,650 to the Other Funds in the Aggregate to supplement expenditures. The Other Funds in the Aggregate transferred \$454,785 to the General Fund to defray administrative expenses. Additionally, within the Other Funds in the Aggregate \$91,642 was transferred to defray administrative and operating expenses.

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

NOTE 10: Joint Venture: Regional Library

Faulkner and Van Buren Counties entered into an agreement in June 1978 in accordance with Ark. Code Ann. § 13-2-401 to establish the Faulkner-Van Buren Regional Library. The agreement states that the Regional Library shall employ a regional librarian approved by the Arkansas Library Commission to serve for such time and on such terms as the Board may prescribe and to be paid from the regional budget. The County Library did not pay any funds to the Regional Library in 2011. Separate financial statements of the Faulkner–Van Buren Regional Library are not available.

NOTE 11: Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements, if any, has not exceeded the insurance coverage for each of the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

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

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

Vehicle Program

- A. Liability - This program may pay all sums the County legally must pay as damages because of bodily injury, death, or property damage to which this agreement applies involving a covered county vehicle and for which the County is liable. The limit of payment by the program is \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident, and \$25,000 for property damage per accident. The County shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered county vehicles owned or leased by the County.
- B. Physical Damage - This program covers vehicles (excluding mobile equipment) which are the property of the participating county. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$500 per occurrence. The County agrees to pay into the program each year a service charge established annually by the Risk Management Fund Board for covered property.

General Liability Program - The program shall provide legal defense in civil rights suits against the county government of a participating county and pay judgments imposed on County officials and employees and the county government and county-formed boards and commissions. Coverage is limited to \$350,000 or \$500,000 per case with an annual aggregate of \$350,000. 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 \$2,000 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.

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

NOTE 12: 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.

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

Schedule 1

SPECIAL REVENUE FUNDS

	County Recorder's Cost	Breathalyzer	Emergency Squad	County Library	Road Sales Tax	Public Defender	Jail Fees	Juvenile Services (Act 1262 of 1995)	Emergency 911
ASSETS									
Cash and cash equivalents	\$ 727,029	\$ 4,874	\$ 156,587	\$ 1,270,077	\$ 7,392,367	\$ 64,932	\$ 70,456	\$ 13,128	\$ 348,749
Accounts receivable	73,928			69,345	329,130		12,931		18,890
TOTAL ASSETS	\$ 800,957	\$ 4,874	\$ 156,587	\$ 1,339,422	\$ 7,721,497	\$ 64,932	\$ 83,387	\$ 13,128	\$ 367,639
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 35,023								
Settlements pending									
Total Liabilities	35,023								
Fund Balances:									
Restricted	765,934	\$ 4,874	\$ 20,154	\$ 1,339,422		\$ 64,932	\$ 83,387	\$ 13,128	\$ 367,639
Committed			136,433		\$ 7,721,497				
Total Fund Balances	765,934	4,874	156,587	1,339,422	7,721,497	64,932	83,387	13,128	367,639
TOTAL LIABILITIES AND FUND BALANCES	\$ 800,957	\$ 4,874	\$ 156,587	\$ 1,339,422	\$ 7,721,497	\$ 64,932	\$ 83,387	\$ 13,128	\$ 367,639

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

Schedule 1

	SPECIAL REVENUE FUNDS								
	Treasurer's Automation	Jail Fines	Federal Drug Forfeiture	Public Safety Answering Point	Victim/Witness	Child Support	Juvenile Probation Fees	Juvenile Jail Grant	Public Defender Investigator
ASSETS									
Cash and cash equivalents	\$ 46,147	\$ 611,620	\$ 38,603	\$ 320,700	\$ 17,549	\$ 65,199	\$ 84,451	\$ 4,449	\$ 53,555
Accounts receivable		28,687					14,665		
TOTAL ASSETS	\$ 46,147	\$ 640,307	\$ 38,603	\$ 320,700	\$ 17,549	\$ 65,199	\$ 99,116	\$ 4,449	\$ 53,555
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable									
Settlements pending									
Total Liabilities									
Fund Balances:									
Restricted	\$ 46,147	\$ 640,307	\$ 38,603	\$ 320,700	\$ 17,549	\$ 65,199	\$ 99,116	\$ 4,449	\$ 53,555
Committed									
Total Fund Balances	46,147	640,307	38,603	320,700	17,549	65,199	99,116	4,449	53,555
TOTAL LIABILITIES AND FUND BALANCES	\$ 46,147	\$ 640,307	\$ 38,603	\$ 320,700	\$ 17,549	\$ 65,199	\$ 99,116	\$ 4,449	\$ 53,555

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

Schedule 1

	SPECIAL REVENUE FUNDS							
	Juvenile Court Representation	County Clerk's Cost	Collector's Automation	Museum	Public Safety (Act 749 of 1983)	Animal Control	Jail Booking	Communication Facility and Equipment
ASSETS								
Cash and cash equivalents	\$ 687	\$ 37,248	\$ 30,300	\$ 50,074	\$ 6,299	\$ 616,495	\$ 73,944	\$ 322,777
Accounts receivable			150,000					
TOTAL ASSETS	<u>\$ 687</u>	<u>\$ 37,248</u>	<u>\$ 180,300</u>	<u>\$ 50,074</u>	<u>\$ 6,299</u>	<u>\$ 616,495</u>	<u>\$ 73,944</u>	<u>\$ 322,777</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable								
Settlements pending								
Total Liabilities								
Fund Balances:								
Restricted	\$ 687	\$ 37,248	\$ 180,300		\$ 6,299		\$ 73,944	\$ 322,777
Committed				\$ 50,074		\$ 616,495		
Total Fund Balances	<u>687</u>	<u>37,248</u>	<u>180,300</u>	<u>50,074</u>	<u>6,299</u>	<u>616,495</u>	<u>73,944</u>	<u>322,777</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 687</u>	<u>\$ 37,248</u>	<u>\$ 180,300</u>	<u>\$ 50,074</u>	<u>\$ 6,299</u>	<u>\$ 616,495</u>	<u>\$ 73,944</u>	<u>\$ 322,777</u>

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

Schedule 1

	SPECIAL REVENUE FUNDS		AGENCY FUNDS						
	Criminal Justice Sales Tax	Library Sales Tax	Treasurer's Accounts	Collector's Accounts	Sheriff's Accounts	County Clerk's Accounts	Circuit Clerk's Accounts	District Court Account	Totals
ASSETS									
Cash and cash equivalents	\$ 1,453,701	\$ 182,914	\$ 3,002,558	\$ 538,797	\$ 345,147	\$ 89,719	\$ 1,608,786	\$ 15,851	\$ 19,665,769
Accounts receivable	327,080								1,024,656
TOTAL ASSETS	<u>\$ 1,780,781</u>	<u>\$ 182,914</u>	<u>\$ 3,002,558</u>	<u>\$ 538,797</u>	<u>\$ 345,147</u>	<u>\$ 89,719</u>	<u>\$ 1,608,786</u>	<u>\$ 15,851</u>	<u>\$ 20,690,425</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable									\$ 35,023
Settlements pending			\$ 3,002,558	\$ 538,797	\$ 345,147	\$ 89,719	\$ 1,608,786	\$ 15,851	5,600,858
Total Liabilities			<u>3,002,558</u>	<u>538,797</u>	<u>345,147</u>	<u>89,719</u>	<u>1,608,786</u>	<u>15,851</u>	<u>5,635,881</u>
Fund Balances:									
Restricted									4,566,350
Committed	\$ 1,780,781	\$ 182,914							10,488,194
Total Fund Balances	<u>1,780,781</u>	<u>182,914</u>							<u>15,054,544</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,780,781</u>	<u>\$ 182,914</u>	<u>\$ 3,002,558</u>	<u>\$ 538,797</u>	<u>\$ 345,147</u>	<u>\$ 89,719</u>	<u>\$ 1,608,786</u>	<u>\$ 15,851</u>	<u>\$ 20,690,425</u>

FAULKNER 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									
	County Recorder's Cost	Breathalyzer	Emergency Squad	County Library	Road Sales Tax	Public Defender	Jail Fees	Juvenile Services (Act 1262 of 1995)	Emergency 911
REVENUES									
State aid			\$ 20,154	\$ 177,843		\$ 3,935			
Federal aid					\$ 6,252				\$ 2,968
Property taxes			74,200	1,284,010					
Sales taxes					3,914,278				
Fines, forfeitures, and costs						32,158	\$ 143,555	\$ 16,760	
Interest	\$ 10,007	\$ 42	1,099	12,473	63,620	545	716	128	3,022
Officers' fees	797,024								
911 fees									291,684
Gas company road reimbursement					24,615				
Treasurer's commission									
Collector's commission									
Other	5,624		3,610	112,955	80,355	94	968	99	1,402
TOTAL REVENUES	812,655	42	99,063	1,587,281	4,089,120	36,732	145,239	16,987	299,076
Less: Treasurer's commission	16,261		1,813	28,340		636	2,800	335	6,365
NET REVENUES	796,394	42	97,250	1,558,941	4,089,120	36,096	142,439	16,652	292,711
EXPENDITURES									
Current:									
General government	891,205								
Law enforcement						33,475			
Highways and streets					2,076,493				
Public safety			69,247						277,372
Recreation and culture				1,406,659					
TOTAL EXPENDITURES	891,205		69,247	1,406,659	2,076,493	33,475			277,372
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(94,811)	42	28,003	152,282	2,012,627	2,621	142,439	16,652	15,339
OTHER FINANCING SOURCES (USES)									
Transfers in									
Transfers out	(178,709)					(204)	(125,000)	(15,000)	(288)
TOTAL OTHER FINANCING SOURCES (USES)	(178,709)					(204)	(125,000)	(15,000)	(288)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(273,520)	42	28,003	152,282	2,012,627	2,417	17,439	1,652	15,051
FUND BALANCES - JANUARY 1	1,039,454	4,832	128,584	1,187,140	5,708,870	62,515	65,948	11,476	352,588
FUND BALANCES - DECEMBER 31	<u>\$ 765,934</u>	<u>\$ 4,874</u>	<u>\$ 156,587</u>	<u>\$ 1,339,422</u>	<u>\$ 7,721,497</u>	<u>\$ 64,932</u>	<u>\$ 83,387</u>	<u>\$ 13,128</u>	<u>\$ 367,639</u>

FAULKNER 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

	Treasurer's Automation	Jail Fines	Federal Drug Forfeiture	Grassy Lake Road Project	Public Safety Answering Point	Victim/Witness	Child Support	Juvenile Probation Fees	Juvenile Jail Grant
REVENUES									
State aid									\$ 20,783
Federal aid									
Property taxes									
Sales taxes									
Fines, forfeitures, and costs		\$ 366,555	\$ 14,748			\$ 23,053			
Interest	\$ 390	4,762	331	\$ 1	\$ 2,581	139	\$ 547	\$ 516	60
Officers' fees							12,789	135,780	
911 fees					251,486				
Gas company road reimbursement									
Treasurer's commission	47,076								
Collector's commission									
Other		2,601			11,603		215	36,560	
TOTAL REVENUES	47,466	373,918	15,079	1	265,670	23,192	13,551	172,856	20,843
Less: Treasurer's commission		7,522			4,006	459	256	2,565	
NET REVENUES	47,466	366,396	15,079	1	261,664	22,733	13,295	170,291	20,843
EXPENDITURES									
Current:									
General government	44,967								
Law enforcement		13,963	5,000			36,530	2,332	160,383	
Highways and streets									
Public safety					250,963				
Recreation and culture									
TOTAL EXPENDITURES	44,967	13,963	5,000		250,963	36,530	2,332	160,383	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,499	352,433	10,079	1	10,701	(13,797)	10,963	9,908	20,843
OTHER FINANCING SOURCES (USES)									
Transfers in						23,000		35,792	
Transfers out		(167,000)		(199)			(3,414)	(1,340)	(29,735)
TOTAL OTHER FINANCING SOURCES (USES)		(167,000)		(199)		23,000	(3,414)	34,452	(29,735)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,499	185,433	10,079	(198)	10,701	9,203	7,549	44,360	(8,892)
FUND BALANCES - JANUARY 1	43,648	454,874	28,524	198	309,999	8,346	57,650	54,756	13,341
FUND BALANCES - DECEMBER 31	\$ 46,147	\$ 640,307	\$ 38,603	\$ 0	\$ 320,700	\$ 17,549	\$ 65,199	\$ 99,116	\$ 4,449

FAULKNER 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							
	Public Defender Investigator	Juvenile Court Representation	County Clerk's Cost	Collector's Automation	Museum	Public Safety Act (749 of 1983)	Animal Control	Jail Booking
REVENUES								
State aid								
Federal aid								
Property taxes					\$ 55,738		\$ 89,676	
Sales taxes								
Fines, forfeitures, and costs	\$ 11,614					\$ 537		\$ 15,950
Interest	494	\$ 11	\$ 314	\$ 911	422	52	6,099	579
Officers' fees			42,891					
911 fees								
Gas company road reimbursement								
Treasurer's commission				150,000				
Collector's commission								
Other	87	500			624	4		149
TOTAL REVENUES	12,195	511	43,205	150,911	56,784	593	95,775	16,678
Less: Treasurer's commission	233		929		1,124	11	1,794	319
NET REVENUES	11,962	511	42,276	150,911	55,660	582	93,981	16,359
EXPENDITURES								
Current:								
General government			41,747	120,296				
Law enforcement								
Highways and streets								
Public safety								
Recreation and culture					68,230			
TOTAL EXPENDITURES			41,747	120,296	68,230			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,962	511	529	30,615	(12,570)	582	93,981	16,359
OTHER FINANCING SOURCES (USES)								
Transfers in					2,500			
Transfers out	(23,000)	(1,642)						
TOTAL OTHER FINANCING SOURCES (USES)	(23,000)	(1,642)			2,500			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(11,038)	(1,131)	529	30,615	(10,070)	582	93,981	16,359
FUND BALANCES - JANUARY 1	64,593	1,818	36,719	149,685	60,144	5,717	522,514	57,585
FUND BALANCES - DECEMBER 31	<u>\$ 53,555</u>	<u>\$ 687</u>	<u>\$ 37,248</u>	<u>\$ 180,300</u>	<u>\$ 50,074</u>	<u>\$ 6,299</u>	<u>\$ 616,495</u>	<u>\$ 73,944</u>

FAULKNER 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					Totals
	Wastewater Feasibility Matching	Communication Facility and Equipment	Wastewater Feasibility Study	Criminal Justice Sales Tax	Library Sales Tax	
REVENUES						
State aid						\$ 222,715
Federal aid				\$ 31,578		40,798
Property taxes						1,503,624
Sales taxes				3,914,278		7,828,556
Fines, forfeitures, and costs						624,930
Interest	\$ 1		\$ 3	16,854	\$ 2,197	130,917
Officers' fees		2,001				1,155,393
911 fees		166,909				543,170
Gas company road reimbursement						24,615
Treasurer's commission						47,076
Collector's commission						150,000
Other				96,167		353,617
TOTAL REVENUES	1	168,910	3	4,058,877	2,197	12,625,411
Less: Treasurer's commission						75,768
NET REVENUES	1	168,910	3	4,058,877	2,197	12,549,643
EXPENDITURES						
Current:						
General government						1,098,215
Law enforcement		286,906		4,124,423		4,663,012
Highways and streets						2,076,493
Public safety						597,582
Recreation and culture					19,900	1,494,789
TOTAL EXPENDITURES		286,906		4,124,423	19,900	9,930,091
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1	(117,996)	3	(65,546)	(17,703)	2,619,552
OTHER FINANCING SOURCES (USES)						
Transfers in				67,000		128,292
Transfers out	(176)		(720)			(546,427)
TOTAL OTHER FINANCING SOURCES (USES)	(176)		(720)	67,000		(418,135)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(175)	(117,996)	(717)	1,454	(17,703)	2,201,417
FUND BALANCES - JANUARY 1	175	440,773	717	1,779,327	200,617	12,853,127
FUND BALANCES - DECEMBER 31	<u>\$ 0</u>	<u>\$ 322,777</u>	<u>\$ 0</u>	<u>\$ 1,780,781</u>	<u>\$ 182,914</u>	<u>\$ 15,054,544</u>

FAULKNER 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.

<u>Fund Name</u>	<u>Fund Description</u>
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.
Breathalyzer	Ark. Code Ann. § 16-10-308 established fund to receive revenues generated from court costs to be used to maintain and purchase breathalyzers.
Emergency Squad	Faulkner County Ordinance no. 77-23 (June 7, 1977) established fund to provide emergency services to the County.
County Library	Ark. Code Ann. § 13-2-404 established fund to account for Library property tax millage levied by the Quorum Court.
Road Sales Tax	Faulkner County Ordinance nos. 99-24 (December 28, 1999) and 99-25 (December 28, 1999) established fund to receive road sales tax to be used to construct and maintain roads in the County.
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.
Jail Fees	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.
Juvenile Services (Act 1262 of 1995)	Ark. Code Ann. § 9-27-326 established fund to collect fees and costs to offset expenses of juvenile cases.
Emergency 911	Ark. Code Ann. § 12-10-318 established fund to receive fees collected by telephone providers for 911 emergency services.
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.
Jail Fines	Faulkner County Ordinance no. 03-14 (July 16, 2003) established fund to help defray the expense of incarcerating prisoners in the County Jail as authorized by Ark. Code Ann. § 16-17-129.
Federal Drug Forfeiture	Fund established to receive federal drug seizure cases.
Grassy Lake Road Project	Fund established by Faulkner County Ordinance no. 10-17 (July 20, 2010) to receive and disburse funds for the Grassy Lake Road Project.
Public Safety Answering Point	Ark. Code Ann. § 12-10-305 established fund to be used to provide an answering system for emergency calls.

FAULKNER 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.

<u>Fund Name</u>	<u>Fund Description</u>
Victim/Witness	Ark. Code Ann. § 16-21-151 established fund to receive District Court costs levied to be used by Prosecuting Attorney for operating victim/witness program.
Child Support	Ark. Code Ann. § 9-10-109 established fund to receive fees to offset administrative costs in the Clerk's office.
Juvenile Probation Fees	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.
Juvenile Jail Grant	State grant for juvenile incarceration.
Public Defender Investigator	Ark. Code Ann. § 16-10-307 established the County Administration of Justice Fund which continued to finance this fund used for defense of indigents.
Juvenile Court Representation	Ark. Code Ann. § 9-27-326 established fund to collect fees and costs to offset expenses of juvenile cases.
County Clerk's Cost	Ark. Code Ann. § 21-6-413 established fund to receive fees collected by county clerks to be used for automated record systems.
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.
Museum	Faulkner County Ordinance no. 01-11 (April 18, 2001) established a voluntary millage to support the county museum.
Public Safety Act (749 of 1983)	Ark. Code Ann. § 27-34-108 established fund to receive 25% of the District Court fines levied for violations of the Child Passenger Protection Code to be used for promotion of public safety.
Animal Control	Faulkner County Ordinance no. 05-11 (May 17, 2005) established a fund to be used for animal control.
Jail Booking	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 maintenance, operation, and capital expenditures of a county jail or regional detention facility.
Wastewater Feasibility Matching	Faulkner County Ordinance no. 08-09 (April 15, 2008) established a fund for matching portions of wastewater feasibility study.
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.

FAULKNER 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.

<u>Fund Name</u>	<u>Fund Description</u>
Wastewater Feasibility Study	Faulkner County Ordinance no. 08-09 (April 15, 2008) established a fund for a state grant for wastewater feasibility study.
Criminal Justice Sales Tax	Faulkner County Ordinance nos. 99-24 (December 28, 1999) and 99-25 (December 28, 1999) established fund to receive sales tax to be used for criminal justice purposes.
Library Sales Tax	Faulkner County Ordinance no. 92-01 (January 22, 1992) established a fund to receive sales tax to be used for library purposes.

Treasurer's accounts consist primarily of property taxes, Treasurer's commission, and interest not distributed to the appropriate authorities.

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

Sheriff's accounts consist primarily of fees settlement, bond, evidence, and inmate trust money.

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

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

District Court account consists primarily of fines and costs not yet distributed to the county and/or state.

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

Schedule 3

	<u>December 31,</u> <u>2011</u>
A. General Fixed Assets:	
Land and Buildings	\$ 16,719,295
Equipment	<u>12,586,766</u>
Total	<u>29,306,061</u>
B. Fixed Assets - Library:	
Land and Buildings	4,053,644
Equipment	<u>299,676</u>
Total	<u>4,353,320</u>
C. Fixed Assets - Museum:	
Land and Buildings	105,000
Equipment	<u>14,526</u>
Total	<u>119,526</u>
Total Capital Assets	<u><u>\$ 33,778,907</u></u>

FAULKNER 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	\$ 9,989,558	\$ 8,837,586	\$ 7,714,473	\$ 5,053,686	\$ 3,055,105
Total Liabilities	9,500	18,356		17,766	
Total Fund Balances	9,980,058	8,819,230	7,714,473	5,035,920	3,055,105
Net Revenues	11,812,115	12,152,039	12,587,063	11,661,066	9,377,979
Total Expenditures	11,770,573	11,435,299	10,206,789	10,498,710	9,194,674
Total Other Financing Sources/Uses	1,119,286	388,017	298,279	483,408	179,552
<u>Road</u>					
Total Assets	\$ 7,682,956	\$ 5,933,476	\$ 4,260,041	\$ 2,749,315	\$ 2,710,219
Total Liabilities			119,860	8,094	
Total Fund Balances	7,682,956	5,933,476	4,140,181	2,741,221	2,710,219
Net Revenues	5,037,549	4,857,846	4,645,612	4,533,117	4,365,689
Total Expenditures	3,288,069	3,064,551	3,282,553	4,612,586	4,617,941
Total Other Financing Sources/Uses			35,901	(414)	
<u>Other Funds in the Aggregate</u>					
Total Assets	\$ 20,690,425	\$ 17,029,029	\$ 14,708,251	\$ 15,314,998	\$ 13,194,737
Total Liabilities	5,635,881	4,175,886	4,383,572	4,312,535	4,716,326
Total Fund Balances	15,054,544	12,853,143	10,324,679	11,002,463	8,478,411
Net Revenues	12,549,643	13,928,038	11,772,889	12,250,160	10,503,320
Total Expenditures	9,930,091	11,011,557	12,115,530	9,805,001	8,751,600
Total Other Financing Sources/Uses	(418,135)	(388,017)	(334,180)	(482,994)	220,448

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