

Lee County, Arkansas

Financial and Compliance Report

December 31, 2017

LEGISLATIVE JOINT AUDITING COMMITTEE



LEE COUNTY, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2017

Financial and Compliance Report

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Arkansas

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT Financial and Compliance Report

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

A priority of Arkansas Legislative Audit is to assist county government officials by promoting sound financial management and accountability of government resources. The Legislative Auditor reports on the fiscal affairs of county governments, as well as compliance with relevant state laws and observance of good business practices to provide accountability for tax dollars expended to support government operations.

We have performed certain limited procedures with respect to regulatory basis financial information and compliance with certain state laws and accepted accounting practices for Lee County, Arkansas, as of and for the year ended December 31, 2017, and have issued our report thereon dated October 16, 2018. Management of the County is responsible for maintaining the financial records and complying with state laws and accepted accounting practices.

The findings contained in this section relate to the following officials who held office during 2017:

County Judge: Terry Sandefer
Treasurer: Mark Smith
Sheriff and Tax Collector: Ocie Banks
County Clerk: Lynsey Russell
Circuit Clerk: Mary Ann Wilkinson
Assessor: Becky Hogan
County Librarian: Betsy Bowman
District Court Clerk: Melanie McKinney

We evaluated the County's compliance with certain state laws concerning general accounting, budgeting, purchasing, and investing and depositing of public funds.

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

District Court Clerk

The balances remaining in the City, County, Circuit and Small Claims District Court accounts in the amounts of \$19,582, \$11,744, \$12,098, and \$9,980, respectively, were not identified with receipt numbers issued for cases not yet adjudicated and payments made on all unpaid individual time accounts, as required by Ark. Code Ann. § 16-10-209. A similar finding was issued in the prior report.

Citation books again were not reconciled by someone outside the Clerk's office as determined by the Judge, in noncompliance with Ark. Code Ann. § 16-10-209.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local County government, state executive and oversight management, 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.

ARKANSAS LEGISLATIVE AUDIT

Handwritten signature of Roger A. Norman in cursive.

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

Little Rock, Arkansas
October 16, 2018
LOCO03917

LEE COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2017
(UNAUDITED)

Exhibit A

	General	Road	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 925,570	\$ 1,325,462	\$ 1,669,365
Accounts receivable	81,442		27,130
	\$ 1,007,012	\$ 1,325,462	\$ 1,696,495
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 78,787	\$ 42,313	\$ 282
Settlements pending	21,550	1,880	612,627
Total Liabilities	100,337	44,193	612,909
Fund Balances:			
Restricted		1,281,269	997,563
Committed			86,023
Unassigned	906,675		
Total Fund Balances	906,675	1,281,269	1,083,586
	\$ 1,007,012	\$ 1,325,462	\$ 1,696,495

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

LEE COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Exhibit B

	<u>General</u>	<u>Road</u>	<u>Other Funds in the Aggregate</u>
REVENUES			
State aid	\$ 452,483	\$ 1,113,680	\$ 21,513
Federal aid	18,440	13,751	1,299
Property taxes	555,211	288,945	62,988
Sales taxes	365,346		
Fines, forfeitures, and costs	127,012		34,196
Interest	1,067	2,682	2,608
Officers' fees	15,629		30,153
Emergency 911 fees			126,912
Jail fees	10,110		
Sanitation fees	155,938		
Treasurer's commission	77,438		8,604
Collector's commission	151,030		
Taxes apportioned - Assessor's salary and expense	183,007		
Other	84,926	37,034	52,236
TOTAL REVENUES	2,197,637	1,456,092	340,509
Less: Treasurer's commission	36,597	29,259	4,311
NET REVENUES	2,161,040	1,426,833	336,198
EXPENDITURES			
Current:			
General government	1,002,203		90,120
Law enforcement	740,950		106,071
Highways and streets		1,244,463	
Public safety	36,965		66,602
Sanitation	156,293		
Health	67,955		
Recreation and culture			48,357
Social services	40,665		
Total Current	2,045,031	1,244,463	311,150
Debt Service:			
Lease principal	36,098		
Lease interest	864		
TOTAL EXPENDITURES	2,081,993	1,244,463	311,150
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	79,047	182,370	25,048
FUND BALANCES - JANUARY 1	827,628	1,098,899	1,058,538
FUND BALANCES - DECEMBER 31	<u>\$ 906,675</u>	<u>\$ 1,281,269</u>	<u>\$ 1,083,586</u>

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

LEE 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, 2017
 (UNAUDITED)

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 346,699	\$ 452,483	\$ 105,784	\$ 742,018	\$ 1,113,680	\$ 371,662
Federal aid		18,440	18,440		13,751	13,751
Property taxes	905,932	555,211	(350,721)	309,500	288,945	(20,555)
Sales taxes	375,000	365,346	(9,654)	317,957		(317,957)
Fines, forfeitures, and costs	275,200	127,012	(148,188)			
Interest	900	1,067	167	2,500	2,682	182
Officers' fees	100	15,629	15,529			
Jail fees	10,000	10,110	110			
Sanitation fees		155,938	155,938			
Treasurer's commission	110,000	77,438	(32,562)			
Collector's commission	67,000	151,030	84,030			
Taxes apportioned - Assessor's salary and expense		183,007	183,007			
Other	17,000	84,926	67,926	97,000	37,034	(59,966)
TOTAL REVENUES	2,107,831	2,197,637	89,806	1,468,975	1,456,092	(12,883)
Less: Treasurer's commission		36,597	(36,597)		29,259	(29,259)
NET REVENUES	2,107,831	2,161,040	53,209	1,468,975	1,426,833	(42,142)
EXPENDITURES						
Current:						
General government	1,131,874	1,002,203	129,671			
Law enforcement	1,024,570	740,950	283,620			
Highways and streets				1,534,154	1,244,463	289,691
Public safety	40,949	36,965	3,984			
Sanitation	170,000	156,293	13,707			
Health	76,428	67,955	8,473			
Social services	42,235	40,665	1,570			
Total Current	2,486,056	2,045,031	441,025	1,534,154	1,244,463	289,691
Debt Service:						
Lease principal		36,098	(36,098)			
Lease interest		864	(864)			
TOTAL EXPENDITURES	2,486,056	2,081,993	404,063	1,534,154	1,244,463	289,691
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(378,225)	79,047	457,272	(65,179)	182,370	247,549
OTHER FINANCING SOURCES (USES)						
Transfers in	50,000		(50,000)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(328,225)	79,047	407,272	(65,179)	182,370	247,549
FUND BALANCES - JANUARY 1	700,000	827,628	127,628	1,000,000	1,098,899	98,899
FUND BALANCES - DECEMBER 31	\$ 371,775	\$ 906,675	\$ 534,900	\$ 934,821	\$ 1,281,269	\$ 346,448

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

LEE COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2017
 (UNAUDITED)

Schedule 1

SPECIAL REVENUE FUNDS

	County Library	Treasurer Automation	Collector Automation	Administration of Courts	Act 1809 - Court Automation	Assessor's Automation	County Clerk's Cost	County Recorder's Cost	Sheriff's Automation
ASSETS									
Cash and cash equivalents	\$ 267,899	\$ 14,782	\$ 104,100	\$ 85,711	\$ 1,635	\$ 5,762	\$ 358	\$ 64,552	\$ 3,774
Accounts receivable			19,531	312			2	1,930	85
TOTAL ASSETS	\$ 267,899	\$ 14,782	\$ 123,631	\$ 86,023	\$ 1,635	\$ 5,762	\$ 360	\$ 66,482	\$ 3,859
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 282								
Settlements pending				117					
Total Liabilities	\$ 399								
Fund Balances:									
Restricted	267,500	\$ 14,782	\$ 123,631		\$ 1,635	\$ 5,762	\$ 360	\$ 66,482	\$ 3,859
Committed				\$ 86,023					
Total Fund Balances	267,500	14,782	123,631	86,023	1,635	5,762	360	66,482	3,859
TOTAL LIABILITIES AND FUND BALANCES	\$ 267,899	\$ 14,782	\$ 123,631	\$ 86,023	\$ 1,635	\$ 5,762	\$ 360	\$ 66,482	\$ 3,859

LEE COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2017
 (UNAUDITED)

Schedule 1

	SPECIAL REVENUE FUNDS							
	Communication Facility and Equipment	Housing Prisoners	Act 117- Booking Fee	County Emergency Rescue (Boating Safety and Enforcement)	Emergency 911	Arkansas Public Defender	Juvenile Probation Fees (Circuit Court Juvenile Division)	Circuit Clerk Commissioner's Fee
ASSETS								
Cash and cash equivalents	\$ 14,453	\$ 1	\$ 1,568	\$ 9,115	\$ 311,970	\$ 24,468	\$ 2,053	\$ 519
Accounts receivable	319		789		4,162			
TOTAL ASSETS	\$ 14,772	\$ 1	\$ 2,357	\$ 9,115	\$ 316,132	\$ 24,468	\$ 2,053	\$ 519
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable								
Settlements pending								
Total Liabilities								
Fund Balances:								
Restricted	\$ 14,772	\$ 1	\$ 2,357	\$ 9,115	\$ 316,132	\$ 24,468	\$ 2,053	\$ 519
Committed								
Total Fund Balances	14,772	1	2,357	9,115	316,132	24,468	2,053	519
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,772	\$ 1	\$ 2,357	\$ 9,115	\$ 316,132	\$ 24,468	\$ 2,053	\$ 519

LEE COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2017
 (UNAUDITED)

Schedule 1

	SPECIAL REVENUE FUNDS			AGENCY FUNDS					
	Deputy Prosecuting Attorney	Public Defender	Sheriff's Equipment	Treasurer's Accounts	Sheriff's Accounts	County Clerk's Accounts	Circuit Clerk's Accounts	District Court Accounts	Totals
ASSETS									
Cash and cash equivalents	\$ 1,338	\$ 141,685	\$ 1,112	\$ 381,688	\$ 1,900	\$ 40,723	\$ 53,815	\$ 134,384	\$ 1,669,365
Accounts receivable									27,130
TOTAL ASSETS	<u>\$ 1,338</u>	<u>\$ 141,685</u>	<u>\$ 1,112</u>	<u>\$ 381,688</u>	<u>\$ 1,900</u>	<u>\$ 40,723</u>	<u>\$ 53,815</u>	<u>\$ 134,384</u>	<u>\$ 1,696,495</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable									\$ 282
Settlements pending				\$ 381,688	\$ 1,900	\$ 40,723	\$ 53,815	\$ 134,384	612,627
Total Liabilities				<u>381,688</u>	<u>1,900</u>	<u>40,723</u>	<u>53,815</u>	<u>134,384</u>	<u>612,909</u>
Fund Balances:									
Restricted	\$ 1,338	\$ 141,685	\$ 1,112						997,563
Committed									86,023
Total Fund Balances	<u>1,338</u>	<u>141,685</u>	<u>1,112</u>						<u>1,083,586</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,338</u>	<u>\$ 141,685</u>	<u>\$ 1,112</u>	<u>\$ 381,688</u>	<u>\$ 1,900</u>	<u>\$ 40,723</u>	<u>\$ 53,815</u>	<u>\$ 134,384</u>	<u>\$ 1,696,495</u>

LEE 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, 2017
 (UNAUDITED)

Schedule 2

	SPECIAL REVENUE FUNDS							
	County Library	Treasurer Automation	Collector Automation	Administration of Courts	Act 1809 - Court Automation	Assessor's Automation	County Clerk's Cost	County Recorder's Cost
REVENUES								
State aid	\$ 20,826							
Federal aid	1,299							
Property taxes	43,457		\$ 19,531					
Fines, forfeitures, and costs				\$ 7,589				
Interest	864	\$ 79	198	174		\$ 12	\$ 1	\$ 211
Officers' fees							68	29,910
Emergency 911 fees								
Treasurer's commission		8,604						
Other	52,236							
TOTAL REVENUES	118,682	8,683	19,729	7,763		12	69	30,121
Less: Treasurer's commission	1,057			86				324
NET REVENUES	117,625	8,683	19,729	7,677		12	69	29,797
EXPENDITURES								
Current:								
General government		30,500						55,048
Law enforcement				1,000				
Public safety								
Recreation and culture	48,357							
TOTAL EXPENDITURES	48,357	30,500		1,000				55,048
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	69,268	(21,817)	19,729	6,677		12	69	(25,251)
FUND BALANCES - JANUARY 1	198,232	36,599	103,902	79,346	\$ 1,635	5,750	291	91,733
FUND BALANCES - DECEMBER 31	<u>\$ 267,500</u>	<u>\$ 14,782</u>	<u>\$ 123,631</u>	<u>\$ 86,023</u>	<u>\$ 1,635</u>	<u>\$ 5,762</u>	<u>\$ 360</u>	<u>\$ 66,482</u>

LEE 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, 2017
 (UNAUDITED)

Schedule 2

	SPECIAL REVENUE FUNDS							
	Sheriff's Automation	Support Collection Cost	Communication Facility and Equipment	Housing Prisoners	Act 117- Booking Fee	County Emergency Rescue (Boating Safety and Enforcement)	Emergency 911	Arkansas Public Defender
REVENUES								
State aid						\$ 687		
Federal aid								
Property taxes								
Fines, forfeitures, and costs	\$ 1,459		\$ 3,519		\$ 19,652			\$ 1,977
Interest	6		27	\$ 20	13	18	\$ 630	50
Officers' fees		\$ 35						
Emergency 911 fees							126,912	
Treasurer's commission								
Other								
TOTAL REVENUES	1,465	35	3,546	20	19,665	705	127,542	2,027
Less: Treasurer's commission	23		50		230	13	2,508	20
NET REVENUES	1,442	35	3,496	20	19,435	692	125,034	2,007
EXPENDITURES								
Current:								
General government		4,572						
Law enforcement				10,400	94,671			
Public safety							66,602	
Recreation and culture								
TOTAL EXPENDITURES		4,572		10,400	94,671		66,602	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,442	(4,537)	3,496	(10,380)	(75,236)	692	58,432	2,007
FUND BALANCES - JANUARY 1	2,417	4,537	11,276	10,381	77,593	8,423	257,700	22,461
FUND BALANCES - DECEMBER 31	\$ 3,859	\$ 0	\$ 14,772	\$ 1	\$ 2,357	\$ 9,115	\$ 316,132	\$ 24,468

LEE 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, 2017
 (UNAUDITED)

Schedule 2

SPECIAL REVENUE FUNDS						
	Juvenile Probation Fees (Circuit Court Juvenile Division)	Circuit Clerk Commissioner's Fee	Deputy Prosecuting Attorney	Public Defender	Sheriff's Equipment	Totals
REVENUES						
State aid						\$ 21,513
Federal aid						1,299
Property taxes						62,988
Fines, forfeitures, and costs						34,196
Interest			\$ 3	\$ 300	\$ 2	2,608
Officers' fees		\$ 140				30,153
Emergency 911 fees						126,912
Treasurer's commission						8,604
Other						52,236
TOTAL REVENUES		140	3	300	2	340,509
Less: Treasurer's commission						4,311
NET REVENUES		140	3	300	2	336,198
EXPENDITURES						
Current:						
General government						90,120
Law enforcement						106,071
Public safety						66,602
Recreation and culture						48,357
TOTAL EXPENDITURES						311,150
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		140	3	300	2	25,048
FUND BALANCES - JANUARY 1	\$ 2,053	379	1,335	141,385	1,110	1,058,538
FUND BALANCES - DECEMBER 31	\$ 2,053	\$ 519	\$ 1,338	\$ 141,685	\$ 1,112	\$ 1,083,586

LEE COUNTY, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2017
 (UNAUDITED)

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

<u>Fund Name</u>	<u>Fund Description</u>
County Library	Ark. Code Ann. § 13-2-404 established fund to account for property tax millage levied by the quorum court for the support, operation, and maintenance of the public library.
Treasurer 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 accounting and record keeping system.
Collector 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.
Administration of Courts	Lee County Ordinance no. 12 (August 23, 1994) established an \$8 fee levied on each case for any permissible use in the administration of justice.
Act 1809 - Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees to be used solely for district court-related technology.
Assessor's Automation	Ark. Code Ann. § 26-26-310 provides that 1% of the county's share of surplus funds from the Property Tax Relief Trust Fund be allocated to county assessors for the costs of administering Ark. Const. amend. 79.
County Clerk's Cost	Ark. Code Ann. § 21-6-413 established fund to receive at least 35% of fees collected by county clerks to be used to purchase, maintain, and operate an automated records system.
County Recorder's Cost	Ark. Code Ann. § 21-6-306 established fund to receive at least 25% of the fees collected by circuit clerks to be used to purchase, maintain, and operate an automated records system.
Sheriff's Automation	Ark. Code Ann. § 27-53-210 established fund to partially reimburse county law enforcement agency for cost of making copies of accident reports and traffic violations. Funds collected shall be retained for support of the law enforcement agency.
Support Collection Cost	Ark. Code Ann. § 9-10-109 established fund to receive fees to offset administrative costs in the clerk's office.

LEE COUNTY, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2017
 (UNAUDITED)

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

<u>Fund Name</u>	<u>Fund Description</u>
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.
Housing Prisoners	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; construction, maintenance, and operation of the county jail; purchase and maintenance of jail equipment; and training, salaries, and certificate pay for jailers and deputy sheriffs.
Act 117- 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.
County Emergency Rescue (Boating Safety and Enforcement)	Ark. Code Ann. § 27-101-111 established fund to receive fees to be used for operating a patrol on the waterways within a county or for emergency rescue services if the county has not established a patrol.
Emergency 911	Ark. Code Ann. § 12-10-318 established fund to receive fees collected by commercial mobile radio service providers for 911 emergency services.
Arkansas Public Defender	Ark. Code Ann. § 17-19-301 authorized a bail bond fee of \$20 to be collected, which shall all be remitted to the Arkansas Public Defender Commission. Three dollars of each fee is remitted back to the county quarterly to be used to defray the operating expenses of the public defender office.
Juvenile Probation Fees (Circuit Court Juvenile Division)	Ark. Code Ann. §§ 16-13-326, 9-27-367 established fund to receive juvenile fees, court costs, and fines to provide services and supplies to juveniles at the discretion of the juvenile division of circuit court.
Circuit Clerk Commissioner's Fee	Ark. Code Ann. § 21-6-412 established fund to receive fee awarded, when appointed as Commissioner, for a sale of real or personal property under judicial decree. The funds are to be used to offset administrative costs associated with the performance of the Commissioner's duties and for general operations expenses of the office of Circuit Clerk.

LEE COUNTY, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2017
(UNAUDITED)

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

<u>Fund Name</u>	<u>Fund Description</u>
Deputy Prosecuting Attorney	Ark. Code Ann. § 16-10-307 established the County Administration of Justice Fund which continued to finance this fund for expenses of the prosecutor.
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.
Sheriff's Equipment	Established to account for circuit court ordered fines to be used for sheriff's equipment expenses.

Treasurer's accounts consist primarily of property taxes, fines and costs and officer's fees not distributed to the appropriate authorities.
Sheriff's accounts consist primarily of fees settlements not distributed to appropriate authorities.
County Clerk's accounts consist of trust money and settlements due to Treasurer.
Circuit Clerk's accounts consist of trust money and settlements due to Treasurer.
District Court Accounts consist primarily of fines and costs not yet distributed to the county and/or state.

LEE COUNTY, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2017
(UNAUDITED)

1. **A. Basis of Presentation - Regulatory Fund Accounting**

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Ark. Code Ann. § 10-4-412. 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.

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 and property 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 Special Revenue Funds presented on Schedules 1 and 2 are reported with other funds in the aggregate.

Agency Funds - Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). The Agency Funds presented on Schedule 1 are reported with other funds in the aggregate.

B. Basis of Accounting

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. § 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally 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. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. 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.

LEE COUNTY, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2017
(UNAUDITED)

1. **Basis of Presentation - Regulatory Fund Accounting (Continued)**

C. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposit.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, trusts, and officer fees 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. 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.

D. Property Taxes

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

E. 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 operating funds.

LEE COUNTY, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2017
(UNAUDITED)

1. **Basis of Presentation - Regulatory Fund Accounting (Continued)**

F. 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.

For classification of fund balance amounts, restricted resources are considered spent before unrestricted. 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.

There were no assigned fund balances at year-end.

2. **Details of Fund Balance Classifications**

Fund balance classifications at December 31, 2017, are composed of the following:

<u>Description</u>	<u>General Fund</u>	<u>Road Fund</u>	<u>Other Funds in the Aggregate</u>
Fund Balances:			
Restricted for:			
General government			\$ 211,536
Law enforcement			193,280
Highways and streets		\$ 1,281,269	
Public safety			325,247
Recreation and culture			<u>267,500</u>
Total Restricted		<u>1,281,269</u>	<u>997,563</u>
Committed for:			
Law enforcement			<u>86,023</u>
Unassigned	<u>\$ 906,675</u>		
Totals	<u>\$ 906,675</u>	<u>\$ 1,281,269</u>	<u>\$ 1,083,586</u>

3. **Commitments**

Total commitments consist of the following at December 31, 2017:

	<u>December 31, 2017</u>
Long-term liabilities	\$ 273,344
Noncancellable lease	<u>55,741</u>
Total Commitments	<u>\$ 329,085</u>

LEE COUNTY, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2017
(UNAUDITED)

3. Commitments (Continued)

Long-term Liabilities

Long-term liabilities at December 31, 2017, are comprised of the following:

	December 31, 2017
Note with First National Bank of Eastern Arkansas for a Peterbilt Chassis Fire Truck dated September 18, 2014. The debt was for \$333,899 with an interest rate of 2.85% to be paid in four yearly payments of \$27,215 and a balloon payment the fifth year for \$253,919 beginning February 15, 2015. Payments are to be made from General Fund.	\$ 273,344

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

Post Employment Benefits Other Than Pensions

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

Debt Service Requirements to Maturity

The County is obligated for the following amounts at December 31, 2017:

Years Ending December 31,	Notes
2018	\$ 27,215
2019	261,156
Total Obligations	288,371
Less Interest	15,027
Total Principal	\$ 273,344

Noncancellable Lease

The County entered into a noncancellable lease agreement for four 2016 Caterpillar Motor Graders on January 1, 2016. Terms of the lease are monthly rental payments of \$4,645 for thirty six months. At the end of the lease term, the County must return the equipment to the lessor. The County is obligated for the following amount for the next year:

Year	December 31, 2017
2018	\$ 55,741

Rental expense for 2017 was \$55,741.

4. Related Party Transactions

During 2017, the County paid \$42,343 to Smith Insurance Agency which is owned by the Lee County Treasurer, Mark Smith. The County has an ordinance on file allowing them to do business with Smith Insurance Agency.

LEE COUNTY, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2017
(UNAUDITED)

5. Joint Venture: Phillips, Lee, and Monroe Regional Library

Phillips, Lee, and Monroe Counties entered into an agreement in May 1978 in accordance with Ark. Code Ann. § 13-2-401 to establish the Phillips, Lee, and Monroe Regional Library. The agreement states that the library boards of these counties are to continue the same duties and functions that they have in the past until said duties and functions are altered by the Quorum Court as provided by law. The Lee County Library did not pay any regional library expenditures in 2017. Contact the Phillips, Lee, and Monroe Regional Library at 702 Porter Street, Helena, AR 72342 to obtain financial statements.

6. Jointly Governed Organization: First Judicial District Drug Task Force

The First Judicial District Drug Task Force is a jointly governed organization comprised of representatives from Lee, Monroe, Phillips, St. Francis, Cross, and Woodruff Counties and participating cities within the aforementioned counties. The Sheriff from each county acts as a representative. The County did not pay any drug task force expenditures in 2017. Contact the First Judicial District Drug Task Force at 113 S. Main Street, Clarendon, Arkansas 72029 to obtain financial statements.

7. Arkansas Public Employees Retirement System

Plan Description

The County contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan. APERS, administered by a Board of Trustees, 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 APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website www.apers.org.

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation. The County's contributions to the plan for the year ended June 30, 2017 (date of APERS Employer Allocation Report) were \$183,688.

Net Pension Liability

The County's proportionate share of the collective net pension liability at June 30, 2017 (actuarial valuation date and measurement date) was \$1,816,352.

8. Capital Assets

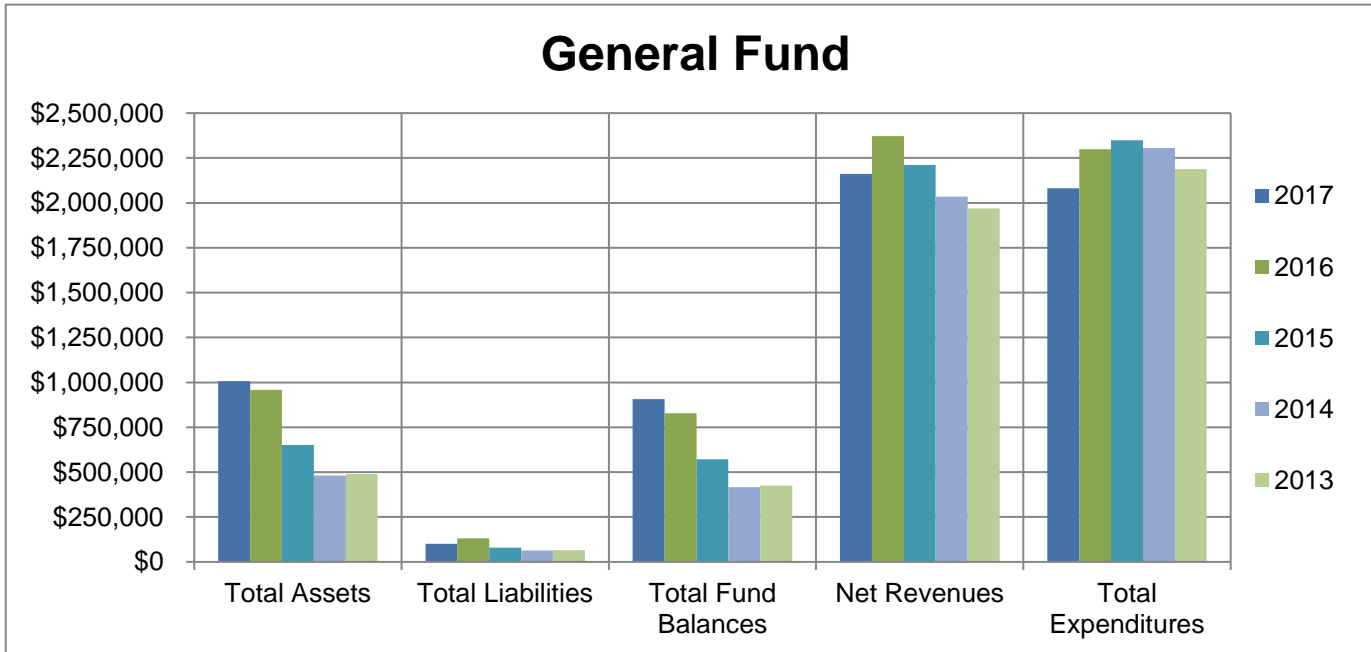
The County's capital assets records are summarized below :

	December 31, 2017
Land	\$ 22,200
Buildings	856,253
Equipment	2,206,330
Total	\$ 3,084,783

LEE COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
 DECEMBER 31, 2017
 (UNAUDITED)

Schedule 3-1

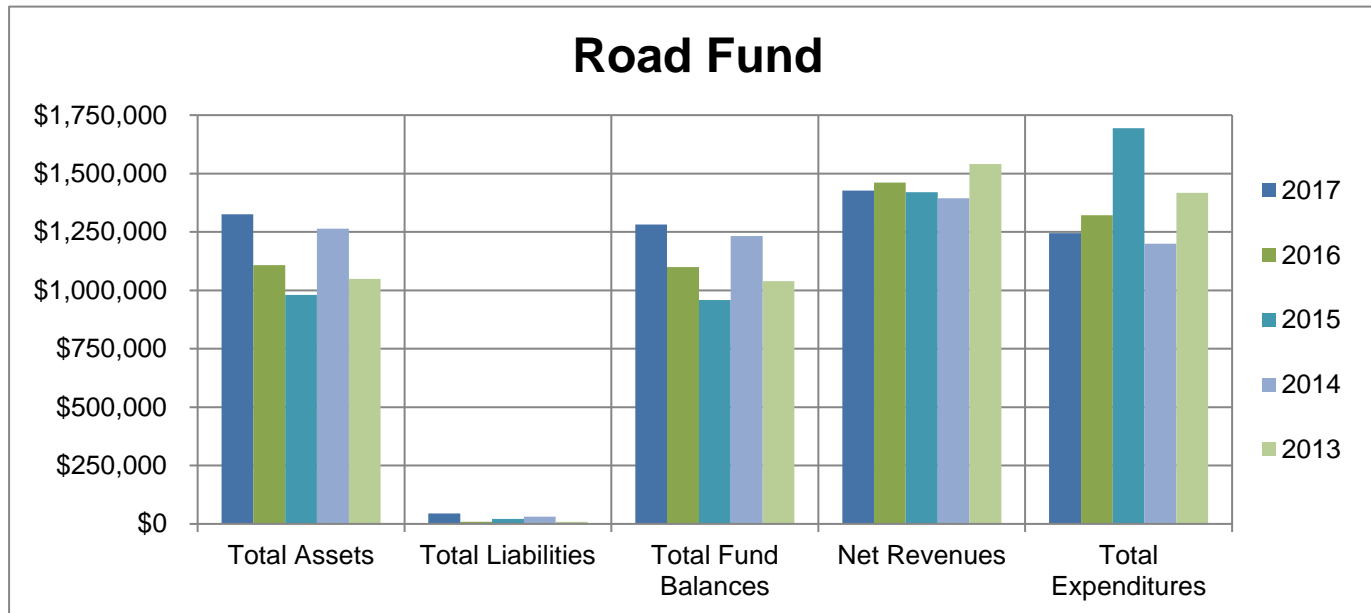
General	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Assets	\$ 1,007,012	\$ 957,892	\$ 651,412	\$ 480,067	\$ 489,717
Total Liabilities	100,337	130,264	80,155	63,619	64,565
Total Fund Balances	906,675	827,628	571,257	416,448	425,152
Net Revenues	2,161,040	2,372,499	2,212,108	2,034,490	1,969,789
Total Expenditures	2,081,993	2,299,723	2,348,240	2,305,445	2,188,966
Total Other Financing Sources/Uses		183,595	290,941	262,251	266,169



LEE COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - ROAD FUND - REGULATORY BASIS
 DECEMBER 31, 2017
 (UNAUDITED)

Schedule 3-2

<u>Road</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Assets	\$ 1,325,462	\$ 1,107,628	\$ 980,615	\$ 1,263,328	\$ 1,048,569
Total Liabilities	44,193	8,729	21,768	30,478	8,734
Total Fund Balances	1,281,269	1,098,899	958,847	1,232,850	1,039,835
Net Revenues	1,426,833	1,461,832	1,420,152	1,393,923	1,540,783
Total Expenditures	1,244,463	1,321,780	1,694,155	1,199,049	1,417,801
Total Other Financing Sources/Uses				(1,859)	



LEE COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
 DECEMBER 31, 2017
 (UNAUDITED)

Schedule 3-3

<u>Other Funds in the Aggregate</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Assets	\$ 1,696,495	\$ 1,546,237	\$ 1,525,212	\$ 1,285,169	\$ 1,226,554
Total Liabilities	612,909	487,699	475,651	243,612	258,299
Total Fund Balances	1,083,586	1,058,538	1,049,561	1,041,557	968,255
Net Revenues	336,198	316,622	303,945	339,906	310,607
Total Expenditures	311,150	124,050	5,000	6,212	
Total Other Financing Sources/Uses		(183,595)	(290,941)	(260,392)	(266,169)

