

Faulkner County, Arkansas
Regulatory Basis Financial Statements
and Other Reports

December 31, 2012

LEGISLATIVE JOINT AUDITING COMMITTEE



FAULKNER COUNTY, ARKANSAS
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Rep. Kim Hammer
House Chair
Sen. Linda Chesterfield
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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

Report on the Financial Statements

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, 2012, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Arkansas Code, as described in Note 1, to meet the requirements permitted by the State of Arkansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and qualified audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, to meet the financial reporting requirements permitted by the State of Arkansas, the financial statements are prepared by the County on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Faulkner County, Arkansas, as of December 31, 2012, or the revenues, expenditures, and changes in net position and when applicable, cash flows, thereof for the year then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

The Mayflower Water Extension, Faulkner County Saltillo Water Extension, Homeland Security Interoperable Emergency Communications Grant Program, State Homeland Security Grant Program, Law Enforcement Terrorism Prevention Activities, Citizen Corp Program, Faulkner County Disaster Recovery, Under-Aged Drink Law Grant, Juvenile Delinquency Pass Through Grant, Juvenile Court Accountability Block Grant Funds, and federal aid related to the Federal Emergency Management Agency, Emergency Preparedness Grant, and the National School Lunch Program 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 Extension, Faulkner County Saltillo Water Extension, Homeland Security Interoperable Emergency Communications Grant Program, State Homeland Security Grant Program, Law Enforcement Terrorism Prevention Activities, Citizen Corp Program, Faulkner County Disaster Recovery, Under-Aged Drink Law Grant, Juvenile Delinquency Pass Through Grant, Juvenile Court Accountability Block Grant Funds and federal aid related to the Federal Emergency Management Agency, Emergency Preparedness Grant, and the National School Lunch Program 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 financial statements also do not disclose all the required information concerning deposit risks. In our opinion, disclosure of this information is required by the regulatory basis of accounting described in Note 1.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the omissions described in the Basis for Adverse Opinion on Regulatory Basis of Accounting paragraph, the financial statements referred to above do not present fairly, in conformity with the regulatory basis of accounting, as described in Note 1, the financial position of the other funds in the aggregate of Faulkner County, Arkansas, as of December 31, 2012, and the regulatory basis revenues, expenditures, and changes in net position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The County's financial statements do not disclose all the required information concerning deposit risks. In our opinion, disclosure of this information is required by the regulatory basis of accounting described in Note 1.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion on Regulatory Basis of Accounting paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund and road fund of Faulkner County, Arkansas, as of December 31, 2012, and the regulatory basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general fund and road fund for the year then ended in accordance with the financial reporting provisions of the Arkansas Code described in Note 1.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements. The accompanying supplementary information and other information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

Because of the omissions described above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

The other 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 such information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014 on our consideration of the County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Roger A. Norman".

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

Little Rock, Arkansas
February 10, 2014
LOCO02312

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

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited 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, 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, 2012, and the related notes to the financial statements, and have issued our report thereon dated February 10, 2014. We issued an adverse opinion because the financial statements are prepared by the County on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between the regulatory basis of accounting described in Note 1 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 regulatory basis of accounting described in Note 1, 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 Extension, Faulkner County Saltillo Water Extension, Homeland Security Interoperable Emergency Communications Grant Program, State Homeland Security Grant Program, Law Enforcement Terrorism Prevention Activities, Citizen Corp Program, Faulkner County Disaster Recovery, Under-Aged Drink Law Grant, Juvenile Delinquency Pass Through Grant, Juvenile Court Accountability Block Grant Funds and federal aid related to the Federal Emergency Management Agency, Emergency Preparedness Grant, and the National School Lunch Program, which are material to 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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:

2012-1 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 from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's response to the findings identified in our audit is described above. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements, 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 2012:

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**, **County Clerk**, **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**, and **County Librarian**. Noncompliance with accepted accounting practices was noted in the Offices of **Treasurer**, **Tax Collector**, **County Clerk**, **Circuit Clerk**, and **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

Monthly bank reconciliations were not performed timely 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 2013. A similar finding was issued in the prior report.

Completed traffic ticket books again were not filed with the District Court Clerk, as required by Ark. Code Ann. § 16-10-205.

The balance remaining in the Bond and Fine Fund bank account of \$21,254 was not identified with receipts issued but not yet entered on the arrest report, as required by Ark. Code Ann. § 16-10-207. Also, the remaining balances in the Circuit Bond and Fee Funds bank accounts of \$253,136 and \$121,355, respectively, were not identified. A similar finding was issued in the prior report.

Receipts for the Communication Facility and Equipment Fund again were not deposited in a timely manner. Undeposited receipts of \$8,443 for October through December 2012 were deposited in May and June 2013.

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

Monthly settlements were not made in a timely manner from the Circuit Bond, Fee, and Commissary Fund accounts.

County Librarian

Prenumbered checks were not issued for all disbursements, as required by Ark. Code Ann. § 14-25-104. The Library had 107 debit card transactions totaling \$9,862. A similar finding was issued in the prior report.

In noncompliance with Ark. Code Ann. § 14-14-1203, eight library employees received salary increases totaling \$2,750 that were greater than the 3% increase authorized by Faulkner County Ordinance no. 12-04 (March 20, 2012). Of this amount, the Assistant Librarian received an 8.27% increase, resulting in a salary overpayment of \$1,973.

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..." A similar finding was issued in the prior report.

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

Treasurer

There was no formally documented and approved Business Continuity Plan. Without manual backup procedures, operations could be interrupted and cease to continue after a loss of computer processing ability.

Sheriff

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

Tax Collector

There was no formally documented and approved Disaster Recovery or Business Continuity Plan. This situation could cause the entity to be without computer processing for an extended period of time in the event of a disaster or major interruption and could place undue financial and personnel burdens on the resources of the entity.

County Clerk

There was no formally documented and approved Business Continuity Plan. Without manual backup procedures, operations could be interrupted and cease to continue after a loss of computer processing ability.

Circuit Clerk

There was no formally documented and approved Disaster Recovery or Business Continuity Plan. This situation could cause the entity to be without computer processing for an extended period of time in the event of a disaster or major interruption and could place undue financial and personnel burdens on the resources of the entity.

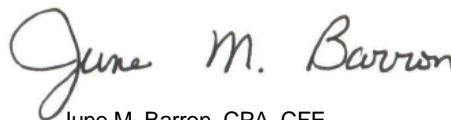
Assessor

There was no formally documented and approved Disaster Recovery or Business Continuity Plan. This situation could cause the entity to be without computer processing for an extended period of time in the event of a disaster or major interruption and could place undue financial and personnel burdens on the resources of the entity.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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
February 10, 2014

FAULKNER COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2012

Exhibit A

	<u>General</u>	<u>Road</u>	<u>Other Funds in the Aggregate</u>
ASSETS			
Cash and cash equivalents	\$ 9,998,973	\$ 9,023,531	\$ 20,480,634
Accounts receivable	<u>708,775</u>	<u>143,545</u>	<u>1,080,403</u>
TOTAL ASSETS	<u>\$ 10,707,748</u>	<u>\$ 9,167,076</u>	<u>\$ 21,561,037</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 23,469	\$ 6,256	\$ 33,360
Settlements pending			<u>5,745,454</u>
Total Liabilities	<u>23,469</u>	<u>6,256</u>	<u>5,778,814</u>
Fund Balances:			
Restricted	62,395	9,160,820	4,601,795
Committed			11,180,428
Assigned	252,491		
Unassigned	<u>10,369,393</u>		
Total Fund Balances	<u>10,684,279</u>	<u>9,160,820</u>	<u>15,782,223</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,707,748</u>	<u>\$ 9,167,076</u>	<u>\$ 21,561,037</u>

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, 2012

Exhibit B

	<u>General</u>	<u>Road</u>	<u>Other Funds in the Aggregate</u>
REVENUES			
State aid	\$ 1,508,719	\$ 2,404,217	\$ 213,355
Property taxes	6,830,480	2,588,619	1,652,339
Sales taxes			8,131,131
Fines, forfeitures, and costs	834,012		614,294
Interest	60,343	50,413	93,320
Officers' fees	228,340		1,217,703
Gas and oil company reimbursements			36,274
Natural gas severance tax		283,983	
Jail fees	405,417		
911 fees			551,632
Law enforcement reimbursement			30,726
911 upgrade reimbursement			113,038
Treasurer's commission	297,458		56,265
Collector's commission	435,893		150,000
Taxes apportioned - Assessor's salary and expense	1,068,100		
Other	<u>560,766</u>	<u>68,672</u>	<u>246,827</u>
 TOTAL REVENUES	 12,229,528	 5,395,904	 13,106,904
 Less: Treasurer's commission	 <u>179,534</u>	 <u>104,098</u>	 <u>79,511</u>
 NET REVENUES	 <u>12,049,994</u>	 <u>5,291,806</u>	 <u>13,027,393</u>
 EXPENDITURES			
Current:			
General government	5,001,962		987,981
Law enforcement	6,230,451		4,559,952
Highways and streets		3,631,748	3,673,347
Public safety	208,872		760,698
Health	81,359		
Recreation and culture	4,500		1,576,321
Social services	168,578		2,500
Total Current	<u>11,695,722</u>	<u>3,631,748</u>	<u>11,560,799</u>
Debt Service:			
Note principal	352,365		
Note interest	<u>10,390</u>		
 TOTAL EXPENDITURES	 <u>12,058,477</u>	 <u>3,631,748</u>	 <u>11,560,799</u>

FAULKNER COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Exhibit B

	<u>General</u>	<u>Road</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (8,483)</u>	<u>\$ 1,660,058</u>	<u>\$ 1,466,594</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	777,510		13,000
Transfers out			<u>(790,510)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>777,510</u>		<u>(777,510)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>769,027</u>	<u>1,660,058</u>	<u>689,084</u>
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	9,980,058	7,682,956	15,054,544
Restatement adjustment	<u>(64,806)</u>	<u>(182,194)</u>	<u>38,595</u>
FUND BALANCES - JANUARY 1, AS RESTATED	<u>9,915,252</u>	<u>7,500,762</u>	<u>15,093,139</u>
FUND BALANCES - DECEMBER 31	<u>\$ 10,684,279</u>	<u>\$ 9,160,820</u>	<u>\$ 15,782,223</u>

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, 2012

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 1,471,230	\$ 1,508,719	\$ 37,489	\$ 2,260,000	\$ 2,404,217	\$ 144,217
Property taxes	5,387,750	6,830,480	1,442,730	1,832,350	2,588,619	756,269
Fines, forfeitures, and costs	950,900	834,012	(116,888)			
Interest	15,465	60,343	44,878	53,100	50,413	(2,687)
Officers' fees	205,298	228,340	23,042			
Natural gas severance tax				198,000	283,983	85,983
Jail fees	733,500	405,417	(328,083)			
Treasurer's commission	250,000	297,458	47,458			
Collector's commission	400,000	435,893	35,893			
Taxes apportioned - Assessor's salary and expense	950,000	1,068,100	118,100			
Other	442,600	560,766	118,166	35,400	68,672	33,272
TOTAL REVENUES	10,806,743	12,229,528	1,422,785	4,378,850	5,395,904	1,017,054
Less: Treasurer's commission		179,534	(179,534)		104,098	(104,098)
NET REVENUES	10,806,743	12,049,994	1,243,251	4,378,850	5,291,806	912,956
EXPENDITURES						
Current:						
General government	10,002,930	5,001,962	5,000,968			
Law enforcement	6,743,835	6,230,451	513,384			
Highways and streets				4,415,148	3,631,748	783,400
Public safety	225,162	208,872	16,290			
Health	196,500	81,359	115,141			
Recreation and culture	4,500	4,500				
Social services	168,918	168,578	340			
Total Current	17,341,845	11,695,722	5,646,123	4,415,148	3,631,748	783,400
Debt Service:						
Note principal		352,365	(352,365)			
Note interest		10,390	(10,390)			
TOTAL EXPENDITURES	17,341,845	12,058,477	5,283,368	4,415,148	3,631,748	783,400

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, 2012

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (6,535,102)	\$ (8,483)	\$ 6,526,619	\$ (36,298)	\$ 1,660,058	\$ 1,696,356
OTHER FINANCING SOURCES (USES)						
Transfers in	803,999	777,510	(26,489)			
TOTAL OTHER FINANCING SOURCES (USES)	803,999	777,510	(26,489)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,731,103)	769,027	6,500,130	(36,298)	1,660,058	1,696,356
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	7,831,150	9,980,058	2,148,908	7,440,270	7,682,956	242,686
Restatement adjustment		(64,806)	(64,806)		(182,194)	(182,194)
FUND BALANCES - JANUARY 1, AS RESTATED	7,831,150	9,915,252	2,084,102	7,440,270	7,500,762	60,492
FUND BALANCES - DECEMBER 31	<u>\$ 2,100,047</u>	<u>\$ 10,684,279</u>	<u>\$ 8,584,232</u>	<u>\$ 7,403,972</u>	<u>\$ 9,160,820</u>	<u>\$ 1,756,848</u>

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

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 Extension, Faulkner County/Salttillo Water Extension, Homeland Security Interoperable Emergency Communications Grant Program, State Homeland Security Grant Program, Law Enforcement Terrorism Prevention Activities, Citizen Corp Program, Faulkner County Disaster Recovery, Under-Aged Drink Law Grant, Juvenile Delinquency Pass Through Grant, Juvenile Court Accountability Block Grant Funds and federal aid related to the Federal Emergency Management Agency, Emergency Preparedness Grant, and National School Lunch Program.

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, Federal Drug Forfeiture, 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, Public Safety (Act 749 of 1983), Animal Control, Jail Booking, Communication Facility and Equipment, Criminal Justice Sales Tax, Library Sales Tax, Sheriff's Automation, Assessor's Amendment no. 79, Drug Court, Teen Court, Juvenile Court Grant, and Rural Development Grant.

Agency Funds - Agency Funds are used to account for assets held by the entity as an agent for individuals, private organizations, other governmental units, and other funds. The following Agency Funds are reported with other funds in the aggregate: Treasurer's Accounts (Treasurer's Commission, Collector's Unapportioned, Delinquent Real Estate, Administration of Justice, Assessor's Salary, Collector's Commission, County General School, Property Tax Relief, Social Security Withholding, 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 (Trust and Child Support); and District Court Accounts (Juvenile).

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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.

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 15.

F. Budget Law

1. Legal Requirements

State law requires that the Quorum Court, before the end of each fiscal year, make appropriations, by ordinance, for the expenditures of County government for the following year. The Quorum Court may make appropriation amendments at any time during the current fiscal year. Appropriations lapse at the end of each year. Under certain conditions, the budget may be amended subsequent to the year-end.

2. Accounting

The County prepared an annual budget on the regulatory basis for the General Fund, Road Fund, and the other Special Revenue Funds except for the Communication Facility and Equipment Fund.

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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.

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, 2012 is composed of the following:

Description	General Fund	Road Fund	Other Funds in the Aggregate
Property taxes	\$ 281,932	\$ 106,938	\$ 67,061
Sales taxes			628,461
Fines, forfeitures, and costs	68,517		40,329
Interest	3,887	1,386	891
Officers' fees	23,187		72,573
911 fees			81,559
Jail fees	47,300		
Gas and oil company reimbursements			3,300
Treasurer's commission	28,945		4,083
Collector's commission	69,781		150,000
Taxes apportioned - Assessor's salary and expense	113,112		
Other	72,114	35,221	32,146
Totals	<u>\$ 708,775</u>	<u>\$ 143,545</u>	<u>\$ 1,080,403</u>

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 5: Accounts Payable

The accounts payable balance at December 31, 2012 is composed of the following:

Description	General Fund	Road Fund	Other Funds in the Aggregate
Vendor payables	\$ 23,469	\$ 6,256	\$ 33,360

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, 2012, the legal debt limit for bonded debt was \$156,762,181. 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, 2012, the legal debt limit for short-term financing obligations was \$40,821,113. There were no short-term financing obligations.

NOTE 7: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2012 are composed of the following:

Description	General	Road	Other Funds in the Aggregate
Restricted for:			
General government	\$ 36,180		\$ 765,816
Law enforcement	26,215		1,595,606
Highways and streets		\$ 9,160,820	
Public safety			702,836
Recreation and culture			1,537,537
Total Restricted	<u>62,395</u>	<u>9,160,820</u>	<u>4,601,795</u>
Committed for:			
Law enforcement			2,549,624
Highways and streets			8,265,225
Public safety			170,904
Recreation and culture			194,675
Total Committed			<u>11,180,428</u>
Assigned to:			
Law enforcement	<u>252,491</u>		
Total Assigned	<u>252,491</u>		
Unassigned	<u>10,369,393</u>		
Totals	<u>\$ 10,684,279</u>	<u>\$ 9,160,820</u>	<u>\$ 15,782,223</u>

FAULKNER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2012

NOTE 8: Commitments

Total commitments consist of the following at December 31, 2012:

	December 31, 2012
Long-term liabilities	\$ 424,884
Construction contract	10,711,902
Total Commitments	\$ 11,136,786

Long-term Liabilities

Long-term liabilities at December 31, 2012 are comprised of the following:

	December 31, 2012
Compensated Absences	\$ 424,884

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.

Construction Contract

The County was contractually obligated for the following construction contract at December 31, 2012:

Project Name	Estimated Completion Date	Contract Balance December 31, 2012
Criminal Justice Building	March 1, 2014	\$ 10,711,902

NOTE 9: Interfund Transfers

The Other Funds in the Aggregate transferred \$777,510 to the General Fund to defray administrative and operating expenses. Additionally, within the Other Funds in the Aggregate \$13,000 was transferred to defray administrative and operating expenses.

NOTE 10: Prior Year Restatement

The beginning fund balances of the General and Road Funds were restated (\$64,806) and (\$182,194), respectively, due to a change in the way state aid is recorded. In addition, the fund balance for the Other Funds in the Aggregate was restated \$38,595 to include the Teen Court and Juvenile Court Grant Funds that were not included in the prior year audit.

NOTE 11: Subsequent Events

On November 7, 2013, the County issued a \$4,000,000 general revenue promissory note with an interest rate of 2.24% to be used to finance a portion of the costs of constructing and equipping the Criminal Justice Building.

On January 10, 2014, the County issued an additional \$1,000,000 general revenue promissory note with an interest rate of 2.24% to be used to finance a portion of the costs of constructing and equipping the Criminal Justice Building.

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 12: Joint Venture: Faulkner- Van Buren 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 Faulkner-Van Buren 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 regional library expenditures in 2012. Separate financial statements of the Faulkner-Van Buren Regional Library are not available.

NOTE 13: Risk Management

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

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

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

Vehicle Program

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

General Liability Program - The program shall provide legal defense in civil rights suits against the County government of a participating county and pay judgments imposed on County officials and employees and the County government and county-formed boards and commissions. Coverage is limited to \$350,000 per case with an annual aggregate of \$500,000. The County agrees to pay into the program each year a rate established by the Risk Management Fund Board. Each county also agrees to pay the first \$500 of the aggregate cost for all expenses on each lawsuit.

The County also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$250,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the County Aid Fund. There is a \$2,500 deductible per occurrence.

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 14: Arkansas Public Employees Retirement System

Plan Description

The County contributes to the Arkansas Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy

PERS has contributory and non-contributory plans. Contributory members are required by code to contribute 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, 2012

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	\$ 309,140	\$ 4,901	\$ 167,937	\$ 1,473,522	\$ 7,963,352	\$ 70,668	\$ 63,452	\$ 10,094	\$ 441,569
Accounts receivable	68,023		3,917	69,350	317,531	1,240	12,988	2,843	18,148
TOTAL ASSETS	\$ 377,163	\$ 4,901	\$ 171,854	\$ 1,542,872	\$ 8,280,883	\$ 71,908	\$ 76,440	\$ 12,937	\$ 459,717
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 2,474		\$ 950	\$ 5,335	\$ 15,658	\$ 737			\$ 781
Settlements pending									
Total Liabilities	2,474		950	5,335	15,658	737			781
Fund Balances:									
Restricted	374,689	\$ 4,901		1,537,537		71,171	\$ 76,440	\$ 12,937	458,936
Committed			170,904		8,265,225				
Total Fund Balances	374,689	4,901	170,904	1,537,537	8,265,225	71,171	76,440	12,937	458,936
TOTAL LIABILITIES AND FUND BALANCES	\$ 377,163	\$ 4,901	\$ 171,854	\$ 1,542,872	\$ 8,280,883	\$ 71,908	\$ 76,440	\$ 12,937	\$ 459,717

FAULKNER COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2012

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	\$ 45,400	\$ 646,824	\$ 21,757	\$ 170,332	\$ 5,768	\$ 67,936	\$ 148,257	\$ 550	\$ 57,402
Accounts receivable	4,084	22,034		66,803	2,265	303	8,127		1,054
TOTAL ASSETS	\$ 49,484	\$ 668,858	\$ 21,757	\$ 237,135	\$ 8,033	\$ 68,239	\$ 156,384	\$ 550	\$ 58,456
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable							\$ 1,437		
Settlements pending									
Total Liabilities							1,437		
Fund Balances:									
Restricted	\$ 49,484	\$ 668,858	\$ 21,757	\$ 237,135	\$ 8,033	\$ 68,239	154,947	\$ 550	\$ 58,456
Committed									
Total Fund Balances	49,484	668,858	21,757	237,135	8,033	68,239	154,947	550	58,456
TOTAL LIABILITIES AND FUND BALANCES	\$ 49,484	\$ 668,858	\$ 21,757	\$ 237,135	\$ 8,033	\$ 68,239	\$ 156,384	\$ 550	\$ 58,456

FAULKNER COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2012

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	Criminal Justice Sales Tax
ASSETS									
Cash and cash equivalents	\$ 691	\$ 32,829	\$ 69,195	\$ 38,562	\$ 6,733	\$ 712,068	\$ 87,744	\$ 387,884	\$ 1,518,727
Accounts receivable		3,420	150,000	2,577	32	4,262	566		319,469
TOTAL ASSETS	\$ 691	\$ 36,249	\$ 219,195	\$ 41,139	\$ 6,765	\$ 716,330	\$ 88,310	\$ 387,884	\$ 1,838,196
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable		\$ 244		\$ 774					\$ 4,902
Settlements pending									
Total Liabilities		244		774					4,902
Fund Balances:									
Restricted	\$ 691	36,005	\$ 219,195		\$ 6,765		\$ 88,310	\$ 387,884	
Committed				40,365		\$ 716,330			1,833,294
Total Fund Balances	691	36,005	219,195	40,365	6,765	716,330	88,310	387,884	1,833,294
TOTAL LIABILITIES AND FUND BALANCES	\$ 691	\$ 36,249	\$ 219,195	\$ 41,139	\$ 6,765	\$ 716,330	\$ 88,310	\$ 387,884	\$ 1,838,196

FAULKNER COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2012

Schedule 1

	SPECIAL REVENUE FUNDS					
	Library Sales Tax	Sheriff's Automation	Assessor's Amendment no. 79	Drug Court	Teen Court	Juvenile Court Grant
ASSETS						
Cash and cash equivalents	\$ 154,310	\$ 6,101	\$ 18,204	\$ 395	\$ 30,275	\$ 2,601
Accounts receivable		906			461	
TOTAL ASSETS	\$ 154,310	\$ 7,007	\$ 18,204	\$ 395	\$ 30,736	\$ 2,601
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable					\$ 68	
Settlements pending						
Total Liabilities					68	
Fund Balances:						
Restricted		\$ 7,007	\$ 18,204	\$ 395	30,668	\$ 2,601
Committed	\$ 154,310					
Total Fund Balances	154,310	7,007	18,204	395	30,668	2,601
TOTAL LIABILITIES AND FUND BALANCES	\$ 154,310	\$ 7,007	\$ 18,204	\$ 395	\$ 30,736	\$ 2,601

FAULKNER COUNTY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2012

Schedule 1

AGENCY FUNDS							
	Treasurer's Accounts	Collector's Accounts	Sheriff's Accounts	County Clerk's Accounts	Circuit Clerk's Accounts	District Court Accounts	Totals
ASSETS							
Cash and cash equivalents	\$ 3,229,826	\$ 367,140	\$ 469,656	\$ 68,789	\$ 1,600,861	\$ 9,182	\$ 20,480,634
Accounts receivable							1,080,403
TOTAL ASSETS	<u>\$ 3,229,826</u>	<u>\$ 367,140</u>	<u>\$ 469,656</u>	<u>\$ 68,789</u>	<u>\$ 1,600,861</u>	<u>\$ 9,182</u>	<u>\$ 21,561,037</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable							\$ 33,360
Settlements pending	\$ 3,229,826	\$ 367,140	\$ 469,656	\$ 68,789	\$ 1,600,861	\$ 9,182	5,745,454
Total Liabilities	<u>3,229,826</u>	<u>367,140</u>	<u>469,656</u>	<u>68,789</u>	<u>1,600,861</u>	<u>9,182</u>	<u>5,778,814</u>
Fund Balances:							
Restricted							4,601,795
Committed							11,180,428
Total Fund Balances							<u>15,782,223</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,229,826</u>	<u>\$ 367,140</u>	<u>\$ 469,656</u>	<u>\$ 68,789</u>	<u>\$ 1,600,861</u>	<u>\$ 9,182</u>	<u>\$ 21,561,037</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, 2012

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			\$ 13,251	\$ 172,051		\$ 3,993			
Property taxes			85,856	1,412,337					
Sales taxes					\$ 4,065,565				
Fines, forfeitures, and costs						36,291	\$ 144,416	\$ 19,838	
Interest	\$ 5,107	\$ 27	957	8,035	49,133	374	502	82	\$ 2,367
Officers' fees	852,779								
Gas and oil company reimbursements					36,274				
911 fees									293,385
Law enforcement reimbursement									
911 upgrade reimbursement									
Treasurer's commission									
Collector's commission									
Other	6,150		6,066	114,912	66,103	444	954	231	5,458
TOTAL REVENUES	864,036	27	106,130	1,707,335	4,217,075	41,102	145,872	20,151	301,210
Less: Treasurer's commission	17,177		1,970	31,037		663	2,819	342	5,924
NET REVENUES	846,859	27	104,160	1,676,298	4,217,075	40,439	143,053	19,809	295,286
EXPENDITURES									
Current:									
General government	772,966								
Law enforcement						33,888			
Highways and streets					3,673,347				
Public safety			89,843						203,587
Recreation and culture				1,478,183					
Social services									
TOTAL EXPENDITURES	772,966		89,843	1,478,183	3,673,347	33,888			203,587
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	73,893	27	14,317	198,115	543,728	6,551	143,053	19,809	91,699
OTHER FINANCING SOURCES (USES)									
Transfers in									
Transfers out	(465,138)					(312)	(150,000)	(20,000)	(402)
TOTAL OTHER FINANCING SOURCES (USES)	(465,138)					(312)	(150,000)	(20,000)	(402)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(391,245)	27	14,317	198,115	543,728	6,239	(6,947)	(191)	91,297
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	765,934	4,874	156,587	1,339,422	7,721,497	64,932	83,387	13,128	367,639
Restatement adjustment									
FUND BALANCES - JANUARY 1, AS RESTATED	765,934	4,874	156,587	1,339,422	7,721,497	64,932	83,387	13,128	367,639
FUND BALANCES - DECEMBER 31	<u>\$ 374,689</u>	<u>\$ 4,901</u>	<u>\$ 170,904</u>	<u>\$ 1,537,537</u>	<u>\$ 8,265,225</u>	<u>\$ 71,171</u>	<u>\$ 76,440</u>	<u>\$ 12,937</u>	<u>\$ 458,936</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, 2012

Schedule 2

	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
REVENUES									
State aid									
Property taxes									
Sales taxes									
Fines, forfeitures, and costs		\$ 344,818	\$ 347		\$ 27,396				\$ 12,669
Interest	\$ 258	3,731	175	\$ 1,649	72	\$ 373	\$ 676	\$ 4	306
Officers' fees						10,968	155,396		
Gas and oil company reimbursements									
911 fees				258,247					
Law enforcement reimbursement							30,726		
911 upgrade reimbursement				113,038					
Treasurer's commission	56,265								
Collector's commission									
Other		2,377		14,868	316	232	5,152		160
TOTAL REVENUES	56,523	350,926	522	387,802	27,784	11,573	191,950	4	13,135
Less: Treasurer's commission		7,025		4,099	463	215	3,243		234
NET REVENUES	56,523	343,901	522	383,703	27,321	11,358	188,707	4	12,901
EXPENDITURES									
Current:									
General government	53,186								
Law enforcement		183,925	17,368		44,837		130,420		
Highways and streets									
Public safety				467,268					
Recreation and culture									
Social services									
TOTAL EXPENDITURES	53,186	183,925	17,368	467,268	44,837	4,945	130,420		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,337	159,976	(16,846)	(83,565)	(17,516)	6,413	58,287	4	12,901
OTHER FINANCING SOURCES (USES)									
Transfers in					8,000				
Transfers out		(131,425)				(3,373)	(2,456)	(3,903)	(8,000)
TOTAL OTHER FINANCING SOURCES (USES)		(131,425)			8,000	(3,373)	(2,456)	(3,903)	(8,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,337	28,551	(16,846)	(83,565)	(9,516)	3,040	55,831	(3,899)	4,901
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	46,147	640,307	38,603	320,700	17,549	65,199	99,116	4,449	53,555
Restatement adjustment									
FUND BALANCES - JANUARY 1, AS RESTATED	46,147	640,307	38,603	320,700	17,549	65,199	99,116	4,449	53,555
FUND BALANCES - DECEMBER 31	<u>\$ 49,484</u>	<u>\$ 668,858</u>	<u>\$ 21,757</u>	<u>\$ 237,135</u>	<u>\$ 8,033</u>	<u>\$ 68,239</u>	<u>\$ 154,947</u>	<u>\$ 550</u>	<u>\$ 58,456</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, 2012

Schedule 2

	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	Criminal Justice Sales Tax
REVENUES									
State aid									
Property taxes				\$ 58,002		\$ 96,144			
Sales taxes									\$ 4,065,566
Fines, forfeitures, and costs					\$ 432		\$ 13,986		
Interest	\$ 4	\$ 279	\$ 700	285	36	4,272	449	\$ 1,586	10,225
Officers' fees		49,345						149,199	
Gas and oil company reimbursements									
911 fees									
Law enforcement reimbursement									
911 upgrade reimbursement									
Treasurer's commission									
Collector's commission			150,000						
Other		634		1,292	6	1,234	201		18,829
TOTAL REVENUES	4	50,258	150,700	59,579	474	101,650	14,636	150,785	4,094,620
Less: Treasurer's commission		922		1,106	8	1,815	270		
NET REVENUES	4	49,336	150,700	58,473	466	99,835	14,366	150,785	4,094,620
EXPENDITURES									
Current:									
General government		45,079	111,805						
Law enforcement								85,678	4,047,107
Highways and streets									
Public safety									
Recreation and culture				68,182					
Social services									
TOTAL EXPENDITURES		45,079	111,805	68,182				85,678	4,047,107
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4	4,257	38,895	(9,709)	466	99,835	14,366	65,107	47,513
OTHER FINANCING SOURCES (USES)									
Transfers in									5,000
Transfers out		(5,500)							
TOTAL OTHER FINANCING SOURCES (USES)		(5,500)							5,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4	(1,243)	38,895	(9,709)	466	99,835	14,366	65,107	52,513
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	687	37,248	180,300	50,074	6,299	616,495	73,944	322,777	1,780,781
Restatement adjustment									
FUND BALANCES - JANUARY 1, AS RESTATED	687	37,248	180,300	50,074	6,299	616,495	73,944	322,777	1,780,781
FUND BALANCES - DECEMBER 31	<u>\$ 691</u>	<u>\$ 36,005</u>	<u>\$ 219,195</u>	<u>\$ 40,365</u>	<u>\$ 6,765</u>	<u>\$ 716,330</u>	<u>\$ 88,310</u>	<u>\$ 387,884</u>	<u>\$ 1,833,294</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, 2012

Schedule 2

SPECIAL REVENUE FUNDS								
	Library Sales Tax	Sheriff's Automation	Assessor's Amendment no. 79	Drug Court	Teen Court	Juvenile Court Grant	Rural Development Grant	Totals
REVENUES								
State aid			\$ 18,099		\$ 961	\$ 2,500	\$ 2,500	\$ 213,355
Property taxes								1,652,339
Sales taxes								8,131,131
Fines, forfeitures, and costs		\$ 7,073		\$ 395	6,633			614,294
Interest	\$ 1,352		105		175	23	1	93,320
Officers' fees		16						1,217,703
Gas and oil company reimbursements								36,274
911 fees								551,632
Law enforcement reimbursement								30,726
911 upgrade reimbursement								113,038
Treasurer's commission								56,265
Collector's commission								150,000
Other		42			666	500		246,827
TOTAL REVENUES	1,352	7,131	18,204	395	8,435	3,023	2,501	13,106,904
Less: Treasurer's commission		124			55			79,511
NET REVENUES	1,352	7,007	18,204	395	8,380	3,023	2,501	13,027,393
EXPENDITURES								
Current:								
General government								987,981
Law enforcement					12,601	4,128		4,559,952
Highways and streets								3,673,347
Public safety								760,698
Recreation and culture	29,956							1,576,321
Social services							2,500	2,500
TOTAL EXPENDITURES	29,956				12,601	4,128	2,500	11,560,799
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(28,604)	7,007	18,204	395	(4,221)	(1,105)	1	1,466,594
OTHER FINANCING SOURCES (USES)								
Transfers in								13,000
Transfers out							(1)	(790,510)
TOTAL OTHER FINANCING SOURCES (USES)							(1)	(777,510)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(28,604)	7,007	18,204	395	(4,221)	(1,105)		689,084
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	182,914							15,054,544
Restatement adjustment					34,889	3,706		38,595
FUND BALANCES - JANUARY 1, AS RESTATED	182,914				34,889	3,706		15,093,139
FUND BALANCES - DECEMBER 31	<u>\$ 154,310</u>	<u>\$ 7,007</u>	<u>\$ 18,204</u>	<u>\$ 395</u>	<u>\$ 30,668</u>	<u>\$ 2,601</u>	<u>\$ 0</u>	<u>\$ 15,782,223</u>

FAULKNER COUNTY, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2012

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. § 16-10-307 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. § 16-17-209.
Federal Drug Forfeiture	Fund established to receive federal drug seizure cases.
Public Safety Answering Point	Ark. Code Ann. § 12-10-305 established fund to be used to provide an answering system for emergency calls.
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.

FAULKNER COUNTY, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2012

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

<u>Fund Name</u>	<u>Fund Description</u>
Juvenile Probation Fees	Ark. Code Ann. § 16-13-326 established fund to receive juvenile fees to provide services and supplies to juveniles at the discretion of the juvenile division of Circuit Court.
Juvenile Jail Grant	Fund established to receive 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.
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.
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.
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.

FAULKNER COUNTY, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2012

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

<u>Fund Name</u>	<u>Fund Description</u>
Assessor's Amendment no. 79	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 purpose of administering Arkansas Constitution, Amendment no. 79.
Drug Court	Ark. Code Ann. § 16-98-304 established fund to receive costs set by drug court judges to be used for treatment, drug testing, and supervision costs.
Teen Court	Fund established for federal grant for juvenile courts.
Juvenile Court Grant	Fund established for federal grant for juvenile courts.
Rural Development Grant	Fund established for state grant for rural development.

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

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

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

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

Circuit Clerk's accounts consist of trust money and child support.

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, 2012
 (Unaudited)

Schedule 3

	<u>December 31, 2012</u>
General Fixed Assets	
Land and Buildings	\$ 17,339,295
Equipment	<u>13,622,979</u>
Total	<u>30,962,274</u>
Fixed Assets - Library	
Land and Buildings	4,053,644
Equipment	<u>300,963</u>
Total	<u>4,354,607</u>
Fixed Assets - Museum	
Land and Buildings	105,000
Equipment	<u>14,526</u>
Total	<u>119,526</u>
Total Capital Assets	<u><u>\$ 35,436,407</u></u>

FAULKNER COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
DECEMBER 31, 2012
(Unaudited)

Schedule 4

<u>General</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total Assets	\$ 10,707,748	\$ 9,989,558	\$ 8,837,586	\$ 7,714,473	\$ 5,053,686
Total Liabilities	23,469	9,500	18,356		17,766
Total Fund Balances	10,684,279	9,980,058	8,819,230	7,714,473	5,035,920
Net Revenues	12,049,994	11,812,115	12,152,039	12,587,063	11,661,066
Total Expenditures	12,058,477	11,770,573	11,435,299	10,206,789	10,498,710
Total Other Financing Sources/Uses	777,510	1,119,286	388,017	298,279	483,408
 <u>Road</u>					
Total Assets	\$ 9,167,076	\$ 7,682,956	\$ 5,933,476	\$ 4,260,041	\$ 2,749,315
Total Liabilities	6,256			119,860	8,094
Total Fund Balances	9,160,820	7,682,956	5,933,476	4,140,181	2,741,221
Net Revenues	5,291,806	5,037,549	4,857,846	4,645,612	4,533,117
Total Expenditures	3,631,748	3,288,069	3,064,551	3,282,553	4,612,586
Total Other Financing Sources/Uses				35,901	(414)
 <u>Other Funds in the Aggregate</u>					
Total Assets	\$ 21,561,037	\$ 20,690,425	\$ 17,029,029	\$ 14,708,251	\$ 15,314,998
Total Liabilities	5,778,814	5,635,881	4,175,886	4,383,572	4,312,535
Total Fund Balances	15,782,223	15,054,544	12,853,143	10,324,679	11,002,463
Net Revenues	13,027,393	12,549,643	13,928,038	11,772,889	12,250,160
Total Expenditures	11,560,799	9,930,091	11,011,557	12,115,530	9,805,001
Total Other Financing Sources/Uses	(777,510)	(418,135)	(388,017)	(334,180)	(482,994)