

Association of Arkansas Counties

Financial Statements
with Independent Auditor's Report

December 31, 2021 and 2020

Association of Arkansas Counties

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John S. Brock | Jake Froemsdorf | Rocky Goodman | Greg Schichtl | J. Michael Tuohey

To the Board of Directors
Association of Arkansas Counties
Little Rock, Arkansas

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of Association of Arkansas Counties (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Association of Arkansas Counties as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Association of Arkansas Counties and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Association of Arkansas Counties' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association of Arkansas Counties' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Association of Arkansas Counties' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Garland & Greenwood CPAs and Advisors, PLLC

Little Rock, AR
October 25, 2022

Association of Arkansas Counties

Statements of Financial Position

December 31	2021	2020
Assets		
Cash and cash equivalents	\$ 1,054,102	\$ 1,092,523
Certificates of deposit	500,000	500,000
Investments - U.S. Government securities	12,681,058	11,771,870
Accounts receivable	66,013	97,358
Accrued interest receivable	103,439	85,637
Unexpired insurance	54,763	44,376
Other prepaid expenses	27,100	7,336
Property and equipment - net	3,207,950	3,349,975
Restricted assets - Automated Records Systems Trust	136,187	189,976
Total Assets	\$ 17,830,612	\$ 17,139,051
Liabilities and Net Assets		
<i>Liabilities</i>		
Accounts payable	\$ 78,462	\$ 101,542
Accrued expenses	59,575	44,858
Deferred revenue	0	600
Restricted liabilities - Automated Records Systems Trust	136,187	189,976
Total Liabilities	274,224	336,976
<i>Net Assets</i>		
Without donor restrictions:		
Designated for capital improvements	4,301,055	4,101,055
Undesignated	13,255,333	12,701,020
Total Net Assets	17,556,388	16,802,075
Total Liabilities and Net Assets	\$ 17,830,612	\$ 17,139,051

See independent auditor's report and the accompanying notes to the financial statements.

Association of Arkansas Counties

Statements of Activities

For the Years Ended December 31	2021	2020
Revenues		
Program Revenues		
Members' dues	\$ 203,569	\$ 214,280
Service fees - benefit programs	3,908,880	4,074,581
Annual conference	148,355	(725)
County Lines	37,325	30,343
County officials' directory	75	585
County compliance guide	195	715
Drug and alcohol testing consortium	6,125	6,192
Total Program Revenues	4,304,524	4,325,971
Other Revenues		
Interest	406,717	322,114
Rent	77,160	65,530
Unrealized gain (loss) on investments	(163,109)	211,760
Marketing and royalty	15,819	17,101
Continuing education	30,000	30,000
Legal reimbursements	1,013,453	990,732
Miscellaneous	11,168	6,176
Realized gain on investments	0	4,635
Total Other Revenues	1,391,208	1,648,048
Total Revenues	5,695,732	5,974,019
Expenses		
Program	3,761,136	3,357,232
Administrative	1,180,283	1,104,924
Total Expenses	4,941,419	4,462,156
Change in Net Assets without Donor Restrictions	\$ 754,313	\$ 1,511,863

See independent auditor's report and the accompanying notes to the financial statements.

Association of Arkansas Counties

Statements of Net Assets

	Net Assets w without Donor Restrictions		
	Designated for Capital Improvements	Undesignated Net Assets	Total Net Assets
Net Assets - January 1, 2020	\$ 3,901,055	\$ 11,389,157	\$ 15,290,212
Excess revenues over expenses	0	1,511,863	1,511,863
Amount designated for capital improvements	200,000	(200,000)	0
Net Assets - December 31, 2020	4,101,055	12,701,020	16,802,075
Excess revenues over expenses	0	754,313	754,313
Amount designated for capital improvements	200,000	(200,000)	0
Net Assets - December 31, 2021	\$ 4,301,055	\$ 13,255,333	\$ 17,556,388

See independent auditor's report and the accompanying notes to the financial statements.

Association of Arkansas Counties

Statements of Functional Expenses

For the Years Ended December 31	2021			2020		
	Program	Administrative	Total	Program	Administrative	Total
Annual conference	\$ 237,139	\$ 0	\$ 237,139	\$ 494	\$ 0	\$ 494
Auto	0	3,078	3,078	0	5,156	5,156
ARP consultant	64,000	0	64,000	0	0	0
Board of Directors' expense	44,162	0	44,162	21,860	0	21,860
County Lines	29,716	0	29,716	26,622	0	26,622
County NACo dues	62,639	0	62,639	62,639	0	62,639
COVID-19 and riot expenses	0	0	0	43,899	0	43,899
Credit card fees	0	5,877	5,877	0	1,985	1,985
Depreciation	0	163,302	163,302	0	174,720	174,720
Dues and subscriptions	0	8,396	8,396	0	4,693	4,693
Insurance - employees' group	212,896	56,593	269,489	204,602	54,388	258,990
Insurance - general	0	55,722	55,722	0	51,678	51,678
Legislative consultant	101,092	0	101,092	92,149	0	92,149
Legislative session	12,485	0	12,485	26,932	0	26,932
Maintenance and repairs	0	73,430	73,430	0	36,691	36,691
Meetings and conferences	16,273	0	16,273	18,922	0	18,922
Office and postage	51,254	13,625	64,879	52,952	14,076	67,028
Outside services	148,226	39,402	187,628	139,934	37,198	177,132
Personnel training	6,005	1,072	7,077	924	165	1,089
Professional services	0	14,587	14,587	0	18,840	18,840
Rental property	0	10,000	10,000	0	9,080	9,080
Retirement plan	331,399	88,093	419,492	323,861	86,089	409,950
Salaries	2,182,681	580,206	2,762,887	2,077,764	552,317	2,630,081
Scholarship fund donation	9,500	0	9,500	10,100	0	10,100
Service contracts - equipment	52,997	14,088	67,085	34,282	9,113	43,395
Special projects	0	0	0	35,959	0	35,959
Taxes - payroll	155,312	41,286	196,598	145,264	38,614	183,878
Taxes - property	6,632	1,763	8,395	6,435	1,710	8,145
Travel - staff	18,081	4,806	22,887	13,756	3,657	17,413
Utilities and telephone	18,647	4,957	23,604	17,882	4,754	22,636
Total Functional Expenses	\$ 3,761,136	\$ 1,180,283	\$ 4,941,419	\$ 3,357,232	\$ 1,104,924	\$ 4,462,156

See independent auditor's report and the accompanying notes to the financial statements.

Association of Arkansas Counties

Statements of Cash Flows

For the Years Ended December 31	2021	2020
Cash Flows from Operating Activities		
Cash received from members, rent, and benefit programs	\$ 5,483,467	\$ 5,373,082
Cash paid to suppliers and employees	(4,817,229)	(4,327,881)
Interest received	388,915	303,159
Net cash provided by (used in) operating activities	1,055,153	1,348,360
Cash Flows from Investing Activities		
Proceeds from sale or redemption of investments	500,000	10,916,811
Purchases of investments	(1,572,299)	(12,275,147)
Expenditures for property and equipment	(21,276)	(38,176)
Net cash provided by (used in) investing activities	(1,093,575)	(1,396,512)
Cash Flows from Financing Activities		
None	0	0
Net increase (decrease) in cash and cash equivalents	(38,421)	(48,151)
Cash and cash equivalents - beginning of year	1,092,523	1,140,674
Cash and Cash Equivalents - End of Year	\$ 1,054,102	\$ 1,092,523
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ 754,313	\$ 1,511,863
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	163,302	174,720
Unrealized (gain) loss investments	163,109	(211,760)
Realized gain on investments	0	(4,635)
Decrease (increase) in assets:		
Accounts receivable	31,345	(62,430)
Accrued interest receivable	(17,802)	(18,955)
Prepaid expenses	(30,151)	7,992
Increase (decrease) in liabilities:		
Deferred revenue	(600)	0
Accounts payable	(23,080)	5,985
Accrued expenses	14,717	(54,420)
Total adjustments	300,840	(163,503)
Net cash provided by (used in) operating activities	\$ 1,055,153	\$ 1,348,360

See independent auditor's report and the accompanying notes to the financial statements.

Association of Arkansas Counties

Notes to the Financial Statements

Note 1 - Nature of Operations

Organization. The Association of Arkansas Counties (AAC) was incorporated April 10, 1968, under the provisions of the Arkansas Nonprofit Corporation Act. The stated purpose and aim of AAC is to aid in the improvement of county government in the state of Arkansas.

AAC has established two trusts, the Workers' Compensation Trust (WCT) and the Risk Management Fund (RMF), for the purpose of administering two benefit programs (page 18). AAC's primary source of revenue is administrative service fees from these Trusts.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting. AAC uses the accrual basis of accounting which recognizes income when earned and expense when incurred.

Basis of Presentation. Financial statement presentation follows the recommendations of generally accepted accounting principles. Under these principles, AAC is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. There were no net assets with donor restrictions at December 31, 2021 or 2020.

Reclassifications. Certain reclassifications have been made to the December 31, 2020, financial statements to conform to the December 31, 2021, presentation, with no effect on net assets.

Income Taxes. AAC is exempt from federal income tax under §115 of the Internal Revenue Code. AAC requested and received a private letter ruling from the Internal Revenue Service stating that the income of AAC is excludable from gross income under §115 of the Internal Revenue Code; therefore, no income tax liability is reflected in the financial statements.

Property and Equipment. Property and equipment are stated at cost and are depreciated on a straight-line basis over estimated useful lives. Renewals and improvements, which materially increase the useful lives of property and equipment, are capitalized. Maintenance and repairs are charged to operations as incurred. Gains or losses on dispositions of property and equipment are reflected in earnings as realized.

Investments. Investments in certificates of deposit and U.S. Government securities are reported at fair market value when available, or cost, which approximates fair market value. Unrealized gains and losses are included in the changes in net assets in the Statements of Activities.

Cash and Cash Equivalents. For purposes of the Statements of Cash Flows, AAC considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash and/or cash equivalents.

Association of Arkansas Counties

Notes to the Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Accounts Receivable and Allowance for Doubtful Accounts. Accounts receivable are stated at the amount AAC expects to collect. AAC maintains an allowance for doubtful accounts for estimated losses resulting from the failure of its customers to make required payments. AAC provides for estimated uncollectible accounts through a charge to earnings and a credit to a valuation allowance. Balances which remain outstanding after AAC has exercised reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. For the years ended December 31, 2021 and 2020, management has determined that no allowance is required and any uncollectible amount as of the end of the year would not be material.

Use of Estimates. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Membership Dues. Membership dues are billed annually and are based upon rates provided by Arkansas law. If the Quorum Court of the county authorizes participation in AAC, current law stipulates that one percent of the general revenues received by that county, from the County Aid Fund in the State Treasury during the preceding year, will be appropriated as dues to AAC. Participation in this association is optional.

Compensated Absences. Employees of AAC are entitled to personal time off to use for vacation, personal business, and sick days, based upon length of service. The estimated amount of compensation due has been determined to be immaterial; therefore, no liability has been recorded in the accompanying financial statements.

Date of Management's Review. Management has evaluated subsequent events through October 25, 2022, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2021.

Note 3 – Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Petty cash	\$ 100	\$ 100
Cash in banks	1,054,002	1,092,423
Total Cash and Cash Equivalents	\$ 1,054,102	\$ 1,092,523

Note 4 – Certificates of Deposit

The certificates of deposit held as of December 31, 2021 and 2020, have interest rates ranging from 0.41% to 2.5%. All have an original maturity date of greater than three months and less than or equal to twenty-four months. At December 31, 2021 and 2020, \$500,000 and \$400,000 of certificates of deposit would be considered current on a classified statement of financial position, respectively.

Association of Arkansas Counties

Notes to the Financial Statements

Note 5 – Investments – U.S. Government Securities

Investments in U.S. Government securities held as of December 31, 2021 and 2020, had interest rates ranging from 2.04% to 5.37%. The following is a summary of securities with current and long-term maturities:

	December 31, 2021	December 31, 2020
Current	\$ 0	\$ 0
Long-term	12,681,058	11,771,870
Total U.S. Government Securities	\$ 12,681,058	\$ 11,771,870

The balance of the U.S. Government securities includes cumulative market value increases of \$112,707 and \$275,816 as of December 31, 2021, and 2020, respectively. For the years ended December 31, 2021, and 2020, the Statements of Activities include negative and positive market value adjustments of (\$163,109) and \$211,760, respectively. Investments in U.S. Government securities are not subject to Federal Deposit Insurance Corporation (FDIC) insurance or collateralization.

Subsequent to December 31, 2021, the bond interest rate market has experienced changes. As of May 31, 2022, AAC's market value of U.S. Government securities has decreased by 17.71% or \$2,245,255. AAC will continue to monitor its investments as it has successfully done in the past. AAC has always held investments to their maturity dates, therefore AAC has no immediate plans to change its investment portfolio.

Note 6 – Property and Equipment

	Cost	Accumulated Depreciation	Net Book Value
December 31, 2021			
Land	\$ 1,074,784	\$ 0	\$ 1,074,784
Furniture and equipment	216,686	199,700	16,986
Buildings and improvements	4,071,213	2,065,479	2,005,734
Vehicles	68,158	38,725	29,433
Website and technology	385,044	304,031	81,013
Total Property and Equipment	\$ 5,815,885	\$ 2,607,935	\$ 3,207,950
December 31, 2020			
Land	\$ 1,074,784	\$ 0	\$ 1,074,784
Furniture and equipment	216,686	192,107	24,579
Buildings and improvements	4,071,213	1,957,521	2,113,692
Vehicles	68,158	29,339	38,819
Website and technology	363,767	265,666	98,101
Total Property and Equipment	\$ 5,794,608	\$ 2,444,633	\$ 3,349,975

Depreciation expense charged against income for the years ended December 31, 2021 and 2020, was \$163,302 and \$174,720, respectively.

Association of Arkansas Counties

Notes to the Financial Statements

Note 7 – Cash Deposits with Financial Institutions

AAC's cash deposits are categorized to give an indication of the level of risk assumed by AAC at December 31, 2021 and 2020. The categories are described as follows:

Category 1 - Insured and collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or its agent in the entity's name.

Category 3 - Uncollateralized.

Description	Institution Balance	Category			Carrying Amount
		1	2	3	
December 31, 2021					
Certificates of deposit	\$ 500,000	\$ 500,000	\$ 0	\$ 0	\$ 500,000
Cash held in bank	1,073,786	250,000	823,786	0	1,054,002
Total Cash Deposits	\$ 1,573,786	\$ 750,000	\$ 823,786	\$ 0	\$ 1,554,002
December 31, 2020					
Certificates of deposit	\$ 500,000	\$ 500,000	\$ 0	\$ 0	\$ 500,000
Cash held in bank	1,045,665	250,000	795,665	0	1,092,423
Total Cash Deposits	\$ 1,545,665	\$ 750,000	\$ 795,665	\$ 0	\$ 1,592,423

AAC's cash balances fluctuate during the year and at times exceed the \$250,000 federally insured limit. As of December 31, 2021 and 2020, there were no cash deposits which were not insured or collateralized.

Note 8 – Deferred Compensation Plan

Full-time employees of AAC are eligible to contribute to a 457 deferred compensation plan administered by Nationwide Retirement Solutions. Pursuant to §457 of the Internal Revenue Code, a custodial account has been established for the exclusive benefit of the plan's participants and beneficiaries; therefore, plan assets and liabilities are not a part of the financial statements. AAC does not match or contribute to this plan.

Association of Arkansas Counties

Notes to the Financial Statements

Note 9 – Employees' Retirement Plans

Eligible employees of AAC currently participate in the Arkansas Public Employees Retirement System (APERS), a defined benefit plan.

- (A) *Plan Description and Eligibility.* All Association personnel working at least 90 days a year and at least 80 hours per month are covered under APERS, a cost-sharing multiple-employer defined benefit pension plan. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by state law and can be amended only by the Arkansas General Assembly. APERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201, or calling 1-800-682-7377.
- (B) *Funding Policy.* Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. For the year ended December 31, 2020, and pay periods up to June 30, 2021, the statutory employer rate was 15.32%, of the annual covered payroll. For the period July 1, 2021 through December 31, 2021, the statutory employer rate was 15.32% of the annual covered payroll. Employees hired on or after July 1, 2007, are required to contribute 5% of their annual payroll to the plan, while employees hired prior to July 1, 2005, could elect to contribute 5%. AAC's contribution to APERS for the years ended December 31, 2021 and 2020, was \$419,492 and \$409,950, respectively.

Note 10 – Lease Agreements

AAC owns commercial property that is currently being leased as follows:

310 South Victory Street. On September 15, 2017, AAC entered into a three year lease agreement with rent escalating each year according to the following scale: Year 1 - \$2,825 monthly; Year 2 - \$2,880 monthly; and Year 3 - \$2,940 monthly. Rent received on this property was \$32,400 and \$19,320 for the years ended December 31, 2021 and 2020, respectively.

Acme Building. AAC entered into a five year lease beginning in October 2017 with rent escalating according to the following scale: Year 1 - \$1,855 monthly; Year 2 - \$1,890 monthly; Year 3 - \$1,930 monthly; Year 4 - \$1,970 monthly; and Year 5 - \$2,010 monthly. In September 2013, AAC began renting nine parking spaces on the Acme Building parking lot for \$20 each per month. This is netted against the rent remitted to AAC. Rent received on this property was \$23,760 and \$23,280 for the years ended December 31, 2021 and 2020, respectively.

Association of Arkansas Counties Building. AAC entered into a three year lease with the Arkansas Sheriff's Association, beginning in September 2014, with rent of \$2,000 per month. This lease expired in September 2017 and is currently on a month to month basis. Rent received on this property was \$21,000 and \$16,750 for the years ended December 31, 2021 and 2020.

Due to the COVID-19 Coronavirus pandemic, AAC gave rental relief to the tenants of 310 South Victory Street and the Association of Arkansas Counties Building during the year ended December 31, 2020.

Association of Arkansas Counties

Notes to the Financial Statements

Note 11 – Designated Net Assets

During the years ended December 31, 2021, and 2020, the Board of Directors of AAC voted to set aside and designate \$200,000 each year, for the purpose of capital improvements. These funds are considered designated net assets until disbursed. Total designated funds available for capital improvements are \$4,301,055 and \$4,101,055 for the years ended December 31, 2021 and 2020, respectively.

Note 12 – Service Fees – Benefit Programs

AAC serves as the administrator for WCT and RMF. AAC services all claims filed, and provides loss prevention services, administrative services, and marketing assistance for a negotiated fee, determined annually. These fees are estimated for the year and paid monthly. An annual settlement occurs at the end of each year.

For the years ended December 31, 2021 and 2020, total fees paid or payable to AAC from WCT were \$1,372,525 and \$1,594,446, respectively. Fees for services due back to WCT from AAC were \$13,559 and \$88,824 as of December 31, 2021 and 2020, respectively.

AAC also received administrative service fees from RMF in the amount of \$2,481,648 and \$2,480,134 for the years ended December 31, 2021 and 2020, respectively. Fees for services payable to AAC from RMF were \$52,368 and \$80,785 as of December 31, 2021 and 2020, respectively.

Note 13 – Restricted Assets and Liabilities – Automated Records Systems Trust

During the 2007, regular session of the 86th Arkansas General Assembly, Act 615 (the Act) was passed, amending Arkansas Code 14-20-107. This Act created a trust fund on the books of AAC to be known as the “Automated Records Systems Trust” (ARST). ARST is to be funded by Class 6 and Class 7 counties by remitting to ARST on a monthly basis \$1 for each document recorded in the specific county recorders’ offices. These funds are to be administered by a committee comprised of the county recorders of the Class 6 and Class 7 counties and are to be used to fund automation of records systems in Class 1 through Class 5 counties by awarding grants to those counties who qualify. The Act requires the available funds to be substantially expended on an annual basis. Because AAC has no control over these funds or disbursements, ARST is treated as an agency trust fund and reported on AAC’s financial statements as restricted assets and liabilities.

Association of Arkansas Counties

Notes to the Financial Statements

Note 13 – Restricted Assets and Liabilities – Automated Records Systems Trust (continued)

ARST reported the following transactions for the years ended December 31:

	2021	2020
ARST Income		
Fees collected and accrued	\$ 406,848	\$ 379,453
Investment income	137	985
Total ARST Income	<u>406,985</u>	<u>380,438</u>
ARST Expenditures		
Grants awarded to Class 1 - Class 5 counties	460,774	320,569
Total ARST Expenditures	<u>460,774</u>	<u>320,569</u>
Excess Revenues (Expenditures) - Restricted for ARST's Purposes	(53,789)	59,869
ARST Fund Balance - Beginning of Year	189,976	130,107
ARST Fund Balance - End of Year	<u>\$ 136,187</u>	<u>\$ 189,976</u>
Restricted Assets of ARST		
Cash in bank	\$ 102,341	\$ 155,329
Accounts receivable	33,846	34,647
Net Restricted Assets	<u>\$ 136,187</u>	<u>\$ 189,976</u>

Note 14 – Fair Value of Financial Instruments

AAC has adopted Financial Accounting Standards Board (FASB) ASC 820, *Fair Value Measurements and Disclosures for Financial Assets and Liabilities (ASC 820)*, which defines fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs, other than Level 1 inputs, that are either directly or indirectly observable.
- Level 3 – Unobservable inputs developed using AAC's estimates and assumptions, which reflect those that market participants would use.

Association of Arkansas Counties

Notes to the Financial Statements

Note 14 – Fair Value of Financial Instruments (continued)

The following table summarizes AAC's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020, segregated among the appropriate levels within the fair value hierarchy:

Description	Fair Value	Fair Value Using		
		Level 1	Level 2	Level 3
December 31, 2021				
U.S. Government securities	\$ 12,681,058	\$ 12,681,058	\$ 0	\$ 0
December 31, 2020				
U.S. Government securities	\$ 11,771,870	\$ 11,771,870	\$ 0	\$ 0

Note 15 – Liquidity and Availability

As of December 31, 2021, AAC had working capital of \$1,667,380 and average days (based on normal expenditures) cash on hand of 78 days.

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

	December 31, 2021
Financial assets at year end:	
Cash and cash equivalents	\$ 1,054,102
Certificates of deposit	500,000
Investments - U.S. Government securities	12,681,058
Receivables	169,452
Total Financial Assets	<u>14,404,612</u>
Less amounts not available to be used within one year:	
Designated for capital improvements	<u>4,301,055</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 10,103,557</u>

AAC has certain board designated assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above.

**Supplemental
Information**

Association of Arkansas Counties

History of the Organization and Comments

AAC was organized on February 13, 1968, with a meeting of two hundred Arkansas County officials in Little Rock. A Board of Directors and Officers were elected at that time.

Originally serving with the officers were eleven other county officials. In December 1980, the Board of Directors voted to add the Coroner's Association to their membership and add a County Coroner to the Board. In 1998, another position for the County Collector's Association was added, bringing the number of directors to the present sixteen. At December 31, 2021, the officers of AAC were as follows:

President	Debbie Wise – Randolph County Circuit Clerk
Vice President	Brandon Ellison – Polk County Judge
Secretary-Treasurer	Jimmy Hart – Conway County Judge

All directors serve without compensation; however, they do receive a per diem when attending meetings. The Secretary-Treasurer is custodian of the net assets of AAC and is responsible for the minutes of all official meetings of the Board of Directors and the membership.

The initial funding of AAC in February, March and April of 1968 came from the various Associations of County Officials, to wit:

Arkansas County Clerks Association	\$ 200
Arkansas Tax Assessors Association	200
Arkansas Circuit Clerks Association	200
Arkansas Sheriffs Association	250
Arkansas Association of County Judges	500
Arkansas County Treasurers Association	<u>200</u>
Total Initial Funding	<u>\$ 1,550</u>

During the years 1968 and 1969, additional funds were donated by these associations and other donors.

Act 92 of 1969 authorized the Quorum Courts of each of the counties in the State to appropriate from the county general funds an amount equal to one percent (1%) of the general revenues received from the County Aid Fund in the State Treasury. The first county to participate under the act was Woodruff County, which made the initial contribution in November 1969.

AAC was the defendant in a taxpayer's suit for injunction and declaratory relief, which sought to prohibit the counties of the State from contributing public funds to AAC. In a final decree issued by Chancellor James Chestnutt of Garland County, based on a memorandum opinion dated October 10, 1977, and Act 92 of 1969, the activities of AAC were found to be constitutional. The final decree of the Chancery Court, which was not appealed, removed any contingent liability regarding the constitutionality of the financial participation of the counties in AAC.

Act 92 of 1969 specifies that only the Quorum Court of each county can authorize the county to pay dues to AAC. All Arkansas counties were members of AAC in 2021 and 2020. The schedules on page 22 show the amount paid by each County to AAC for the years ended December 31, 2021 and 2020.

Association of Arkansas Counties

History of the Organization and Comments (continued)

Records, Reports, and Record Keeping

The financial records and books of AAC were found to be complete and accurate. Paid bills or vouchers were made available for our inspection and we were furnished all requested supporting documentation for expenditures. An annual budget is prepared for the Board of Directors that compares actual expenditures with those budgeted. A comparison of revenues, certain expenses and fixed asset purchases to the budget is presented as supplementary information to the financial statements. Monthly financial reports are presented to the Directors at their meetings, keeping them informed regarding the financial affairs of AAC. Complete and descriptive minutes of all official meetings of the Board of Directors and the membership have been kept as a permanent record of the activities of AAC.

All record keeping is done in the Little Rock office. Cindy Posey serves as accountant for AAC. The operations of AAC are under the general supervision of the Executive Director, Chris Villines.

Workers' Compensation Trust

AAC has established a trust for the purpose of administering a Self-Insured Workers' Compensation Insurance program for its member counties. Effective January 1, 1998, all of the operations of WCT have been handled by AAC. Prior to this date, a private administrator provided these services. The activities of WCT are under the direction of five trustees, three of whom serve on AACs' Board, and two of whom serve at-large. The financial statements of WCT are not included in these financial statements, since it is a separate and distinct entity and AAC has no right or claim to any of WCT's net assets. WCT is the subject of a separate audit.

Risk Management Fund

AAC has established a trust for the purpose of administering a Risk Management Program for its member counties. A private administrator provided claims services for RMF through March 24, 1998. Effective March 25, 1998, all of the operations of RMF have been handled by AAC. The activities of RMF are under the direction of seven trustees, who are elected officials of member counties. The financial statements of RMF are not included in these financial statements, since it is a separate and distinct entity and AAC has no right or claim to any of its net assets. RMF is the subject of a separate audit.

Scholarship Trust

On April 3, 1985, AAC established the Association of Arkansas Counties Scholarship Trust (the Trust). The purpose of the Trust is to establish and maintain a college scholarship fund to provide financial assistance to students attending a college or other qualifying educational institution of their choice. The Trust has tax-exempt status under §501(c)(3) of the Internal Revenue Code. A three person Board of Trustees directs the Trust. AAC funded the Trust with an initial contribution of \$1,500. The financial statements of the Trust are not included in these financial statements since it is a separate and distinct entity and AAC has no right or claims to any of its net assets.

Association of Arkansas Counties

Schedule of Revenues, Expenses, and Fixed Asset Purchases
Actual to Budget

For the Year Ended December 31, 2021	Actual	Budget	Favorable (Unfavorable)
Revenues:			
Members' dues	\$ 203,569	\$ 203,569	\$ 0
Annual conference	148,355	160,000	(11,645)
Service fees - benefit programs	3,908,880	3,867,713	41,167
Investment income	406,717	350,000	56,717
Rent income	77,160	80,540	(3,380)
County officials' directory	75	200	(125)
Drug and alcohol testing	6,125	6,100	25
County compliance guides	37,520	66,000	(28,480)
Photocopy and postage reimbursements	473	1,300	(827)
Legal reimbursements	1,013,453	1,003,109	10,344
Continuing education fees	30,000	30,000	0
Other income	26,514	24,000	2,514
Total Revenues	5,858,841	5,792,531	66,310
Expenses and Fixed Asset Purchases:			
Annual conference	237,139	200,000	(37,139)
ARP consultant	64,000	64,000	0
Auto	3,078	10,000	6,922
Auto insurance	5,739	5,500	(239)
Bank charges	2,100	2,100	0
Board of Directors' expense	44,162	40,000	(4,162)
Contract labor	13,524	10,000	(3,524)
County NACo dues	62,639	62,639	0
County Lines	29,716	40,000	10,284
Compliance guide printing	0	32,000	32,000
Dues and subscriptions	8,396	9,000	604
Insurance - property	17,083	15,750	(1,333)
Insurance - dental	14,117	13,997	(120)
Insurance - vision	3,001	2,975	(26)
Insurance - employees' group	234,626	245,232	10,606
Insurance - directors' and officers' bonds	10,559	11,500	941
Janitorial service	10,554	15,200	4,646
Lawyers' professional liability insurance	14,924	15,000	76
Legal fees	1,337	10,000	8,663
Legislative consultant	97,000	95,000	(2,000)
Legislative consultant expense	4,092	10,000	5,908
Legislative session	12,485	50,000	37,515
Maintenance and repairs	59,906	36,000	(23,906)
NACo summer conference	8,842	40,000	31,158
NCCAE meeting	6,511	18,000	11,489
Subtotal of Expenses and Fixed Asset Purchases	\$ 965,530	\$ 1,053,893	\$ 88,363

See independent auditor's report and the accompanying notes to the financial statements.

Association of Arkansas Counties

Schedule of Revenues, Expenses, and Fixed Asset Purchases (continued)
Actual to Budget

For the Year Ended December 31, 2021	Actual	Budget	Favorable (Unfavorable)
Expenses and Fixed Asset Purchases: (continued)			
Sub-total carried forward from previous page	\$ 965,530	\$ 1,053,893	\$ 88,363
Miscellaneous	13,564	7,500	(6,064)
Long/short-term disability	17,745	18,000	255
Postage	20,226	25,000	4,774
Networking services	31,879	37,000	5,121
Office and printing	39,147	47,000	7,853
Outside services	45,000	0	(45,000)
Personnel training	7,077	15,000	7,923
Professional services	13,250	13,000	(250)
Rental property	10,000	15,000	5,000
Retirement plan	419,492	426,411	6,919
Salaries	2,762,887	2,794,460	31,573
Scholarship fund donation	9,500	10,000	500
Service contracts - equipment	67,085	42,000	(25,085)
Special projects	0	60,000	60,000
Systems software/support	100,042	85,000	(15,042)
Taxes - payroll	196,598	203,077	6,479
Taxes - property	8,395	7,750	(645)
Travel - staff	22,887	50,000	27,113
Utilities	23,604	30,000	6,396
Workers' compensation insurance	4,209	4,000	(209)
Capital Items:			
Fixed assets, computer equipment, and software	21,276	70,000	48,724
Board designated - capital fund improvements	200,000	200,000	0
Total Expenses and Fixed Asset Purchases	4,999,393	5,214,091	214,698
Excess Revenues Over Expenses and Fixed Asset Purchases	\$ 859,448	\$ 578,440	\$ 281,008

Amounts in the actual column do not include unbudgeted categories of depreciation expense of \$163,302 or unrealized loss on investments of \$163,109.

See independent auditor's report and the accompanying notes to the financial statements.

Association of Arkansas Counties

Schedules of Cash and Investments

For the Years Ended December 31	2021	2020
Cash and Investments		
Cash and Cash Equivalents:		
Petty cash on hand	\$ 100	\$ 100
Bank OZK	1,054,002	1,092,423
Certificates of Deposit:		
First State Bank - Lonoke	100,000	100,000
Horatio State Bank	200,000	200,000
Bank of Brinkley	100,000	100,000
Malvern National Bank	100,000	100,000
Government Bonds:		
<i>Held in -</i>		
Raymond James	11,241,452	10,515,627
Crews & Associates	1,439,606	1,256,243
Total Cash and Investments	\$ 14,235,160	\$ 13,364,393

See independent auditor's report and the accompanying notes to the financial statements.

Association of Arkansas Counties
Schedules of Members' Dues by County

County	Years Ended December 31		County	Years Ended December 31		County	Years Ended December 31	
	2021	2020		2021	2020		2021	2020
Arkansas	\$ 2,368	\$ 2,492	Garland	\$ 3,712	\$ 3,907	Newton	\$ 2,181	\$ 2,296
Ashley	2,417	2,544	Grant	2,347	2,471	Ouachita	2,492	2,623
Baxter	2,760	2,906	Greene	2,770	2,917	Perry	2,218	2,334
Benton	5,899	6,209	Hempstead	2,430	2,558	Phillips	2,415	2,542
Boone	2,680	2,821	Hot Spring	2,610	2,747	Pike	2,233	2,350
Bradley	2,237	2,354	Howard	2,276	2,396	Poinsett	2,465	2,595
Calhoun	2,129	2,241	Independence	2,675	2,816	Polk	2,396	2,523
Carroll	2,515	2,647	Izard	2,275	2,395	Pope	3,114	3,278
Chicot	2,242	2,359	Jackson	2,350	2,473	Prairie	2,188	2,303
Clark	2,437	2,565	Jefferson	3,387	3,566	Pulaski	8,716	9,174
Clay	2,316	2,438	Johnson	2,481	2,612	Randolph	2,349	2,473
Cleburne	2,489	2,620	Lafayette	2,169	2,283	Saline	3,905	4,110
Cleveland	2,187	2,303	Lawrence	2,340	2,463	Scott	2,232	2,349
Columbia	2,464	2,594	Lee	2,218	2,334	Searcy	2,179	2,294
Conway	2,407	2,533	Lincoln	2,282	2,403	Sebastian	4,230	4,453
Craighead	3,719	3,914	Little River	2,266	2,385	Sevier	2,333	2,456
Crawford	3,117	3,281	Logan	2,426	2,553	Sharp	2,337	2,460
Crittenden	2,924	3,078	Lonoke	3,229	3,399	St. Francis	2,529	2,662
Cross	2,348	2,471	Madison	2,310	2,431	Stone	2,252	2,371
Dallas	2,177	2,292	Marion	2,326	2,448	Union	2,762	2,908
Desha	2,263	2,382	Miller	2,794	2,941	Van Buren	2,338	2,460
Drew	2,359	2,483	Mississippi	2,847	2,997	Washington	5,580	5,874
Faulkner	4,012	4,223	Monroe	2,178	2,293	White	3,381	3,559
Franklin	2,352	2,475	Montgomery	2,201	2,318	Woodruff	2,162	2,276
Fulton	2,249	2,368	Nevada	2,193	2,308	Yell	2,423	2,550
Total Members' Dues by County						\$ 203,569	\$ 214,280	

See independent auditor's report and the accompanying notes to the financial statements.