

Marion County, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2012

LEGISLATIVE JOINT AUDITING COMMITTEE



MARION COUNTY, ARKANSAS
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Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE

DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Marion 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 Marion 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 Marion 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 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.

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, road fund, and other funds in the aggregate of Marion 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.

The supplementary 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 been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the omission of the information described above, the information is fairly stated in all material respects in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

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 March 13, 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



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

Little Rock, Arkansas
March 13, 2014
LOCO04512

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

Marion 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 Marion 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 March 13, 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 opinions on the general fund, road fund, and other funds in the aggregate 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*.

Entity's Response to Findings

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: Pete Giles
Treasurer: Shirley Ply
Sheriff: Roger Vickers
Tax Collector: Cathy Brightwell
County and Circuit Clerk: Dee Carleton
County Librarian: Anita Paulson
Marion County Nursing Home Board Secretary/Treasurer: Mary Jane Walker
District Court Clerk: Martha Moore

Our audit procedures indicated that the Offices of **Treasurer, Tax Collector, County and Circuit Clerk, County Librarian, Marion County Nursing Home Board Secretary /Treasurer**, and **District Court Clerk** 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** and **Sheriff**. Noncompliance with accepted accounting practices was noted in the Office of **District Court Clerk**.

County Judge

1. Two road graders, purchased in 1990 for \$173,830, could not be located by the County. The Fourteenth Judicial District Prosecuting Attorney has requested a Federal Bureau of Investigation inquiry regarding this matter.
2. Transfer Station employees indicated to the County Judge that they were instructed by their supervisor to not issue receipts for cash unless requested by the customer. The employees indicated that the supervisor was custodian of the unreceipted cash. The County Judge terminated the supervisor's employment on November 8, 2013. Due to lack of documentation, Division of Legislative Audit staff was unable to determine the amount of any undeposited receipts.
3. Proper bidding procedures were not followed for items purchased in excess of \$20,000, as required by Ark. Code Ann. § 14-22-101.
4. Fixed asset records again were not properly maintained, as required by Ark. Code Ann. § 14-25-106. Numerous equipment purchases were not added to the fixed asset listing, and the County could not produce a list of current year disposals.
5. Court orders and appraisals were not properly prepared for sale of assets, as required by Ark. Code Ann. § 14-16-105.
6. County Court orders were not prepared by the County Judge for lease-purchase agreements executed for the purchase of equipment, in noncompliance with Ark. Code Ann. § 14-22-112.

Sheriff

1. The Sheriff again was not in compliance with Ark. Code Ann. § 16-10-207 regarding Bond and Fine Fund accounting records as follows:
 - Bank accounts were not properly reconciled.
 - Receipts issued were not reconciled with the monthly bank deposits nor deposited intact.

Sheriff (Continued)

2. Accounting records for the Circuit Bond, Fee, and Seized Property Funds again were not in compliance with state law as follows:

- Bank accounts were not reconciled, as required by Ark. Code Ann. § 14-25-107.
- Receipts were not reconciled with the monthly deposits, as required by Ark. Code Ann. § 14-25-112.

The following information system weakness was discovered during a review of computers:

District Court Clerk

There again 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
March 13, 2014

MARION 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	\$ 838,156	\$ 195,600	\$ 1,973,073
Accounts receivable	<u>931,822</u>	<u>34,211</u>	<u>15,753</u>
 TOTAL ASSETS	 <u><u>\$ 1,769,978</u></u>	 <u><u>\$ 229,811</u></u>	 <u><u>\$ 1,988,826</u></u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 133,185	\$ 14,729	\$ 2,667
Settlements pending			365,324
Total Liabilities	<u>133,185</u>	<u>14,729</u>	<u>367,991</u>
 Fund Balances:			
Restricted		215,082	1,422,000
Committed	224,816		84,437
Assigned	626		114,398
Unassigned	<u>1,411,351</u>		
Total Fund Balances	<u>1,636,793</u>	<u>215,082</u>	<u>1,620,835</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 1,769,978</u></u>	 <u><u>\$ 229,811</u></u>	 <u><u>\$ 1,988,826</u></u>

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

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

Exhibit B

	General	Road	Other Funds in the Aggregate
REVENUES			
State aid	\$ 557,243	\$ 948,355	\$ 144,823
Federal aid	182,764	108,629	151,181
Property taxes	827,228	383,945	135,393
Sales taxes	915,912		
Fines, forfeitures, and costs	263,995		29,008
Interest	2,404	1,052	5,667
Officers' fees	32,277		155,455
911 fees			150,903
Law enforcement services			126,668
Sanitation fees	92,653		
Development permits			12,900
Jail fees	61,310		
Treasurer's commission	63,077	147	13,035
Collector's commission	146,696		33,513
Taxes apportioned - Assessor's salary and expense	201,958		
Other	140,719	32,901	11,272
TOTAL REVENUES	3,488,236	1,475,029	969,818
Less: Treasurer's commission	34,954	17,561	12,486
NET REVENUES	3,453,282	1,457,468	957,332
EXPENDITURES			
Current:			
General government	836,112		422,380
Law enforcement	1,530,275		201,454
Highways and streets	459,940	2,030,040	15,394
Public safety	111,480		292,048
Sanitation	380,113		
Health	38,130		3,613
Recreation and culture	29,114		140,998
Social services	12,275		
Total Current	3,397,439	2,030,040	1,075,887
Debt Service:			
Lease principal	4,421	88,734	
Lease interest	607	18,512	
TOTAL EXPENDITURES	3,402,467	2,137,286	1,075,887

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

Exhibit B

	General	Road	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 50,815	\$ (679,818)	\$ (118,555)
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	189,497	74
Transfers out	(189,336)		(15,235)
Sale of nursing home	750,000		
TOTAL OTHER FINANCING SOURCES (USES)	575,664	189,497	(15,161)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	626,479	(490,321)	(133,716)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	1,068,582	777,869	1,754,551
Restatement adjustment	(58,268)	(72,466)	
FUND BALANCES - JANUARY 1, AS RESTATED	1,010,314	705,403	1,754,551
FUND BALANCES - DECEMBER 31	\$ 1,636,793	\$ 215,082	\$ 1,620,835

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

MARION 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	\$ 392,980	\$ 557,243	\$ 164,263	\$ 986,024	\$ 948,355	\$ (37,669)
Federal aid	1,458	182,764	181,306	152,702	108,629	(44,073)
Property taxes	1,045,035	827,228	(217,807)	364,866	383,945	19,079
Sales taxes	1,000,000	915,912	(84,088)			
Fines, forfeitures, and costs	236,870	263,995	27,125			
Interest	1,506	2,404	898	4,979	1,052	(3,927)
Officers' fees	26,396	32,277	5,881			
Sanitation fees		92,653	92,653			
Jail fees	63,683	61,310	(2,373)			
Treasurer's commission	56,241	63,077	6,836		147	147
Collector's commission	251,002	146,696	(104,306)			
Taxes apportioned - Assessor's salary and expense	225,614	201,958	(23,656)			
Other	325,348	140,719	(184,629)	128,333	32,901	(95,432)
TOTAL REVENUES	3,626,133	3,488,236	(137,897)	1,636,904	1,475,029	(161,875)
Less: Treasurer's commission		34,954	(34,954)		17,561	(17,561)
NET REVENUES	3,626,133	3,453,282	(172,851)	1,636,904	1,457,468	(179,436)
EXPENDITURES						
Current:						
General government	1,083,586	836,112	247,474			
Law enforcement	1,644,327	1,530,275	114,052			
Highways and streets	554,897	459,940	94,957	2,155,035	2,030,040	124,995
Public safety	139,399	111,480	27,919			
Sanitation	489,356	380,113	109,243			
Health	33,635	38,130	(4,495)			
Recreation and culture	10,000	29,114	(19,114)			
Social services	20,348	12,275	8,073			
Total Current	3,975,548	3,397,439	578,109	2,155,035	2,030,040	124,995
Debt Service:						
Lease principal		4,421	(4,421)		88,734	(88,734)
Lease interest		607	(607)		18,512	(18,512)
TOTAL EXPENDITURES	3,975,548	3,402,467	573,081	2,155,035	2,137,286	17,749

MARION 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	<u>\$ (349,415)</u>	<u>\$ 50,815</u>	<u>\$ 400,230</u>	<u>\$ (518,131)</u>	<u>\$ (679,818)</u>	<u>\$ (161,687)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	32,911	15,000	(17,911)	5,283	189,497	184,214
Transfers out		(189,336)	(189,336)			
Sale of nursing home		750,000	750,000			
TOTAL OTHER FINANCING SOURCES (USES)	<u>32,911</u>	<u>575,664</u>	<u>542,753</u>	<u>5,283</u>	<u>189,497</u>	<u>184,214</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(316,504)</u>	<u>626,479</u>	<u>942,983</u>	<u>(512,848)</u>	<u>(490,321)</u>	<u>22,527</u>
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	914,312	1,068,582	154,270	243,542	777,869	534,327
Restatement adjustment		(58,268)	(58,268)		(72,466)	(72,466)
FUND BALANCES - JANUARY 1, AS RESTATED	<u>914,312</u>	<u>1,010,314</u>	<u>96,002</u>	<u>243,542</u>	<u>705,403</u>	<u>461,861</u>
FUND BALANCES - DECEMBER 31	<u>\$ 597,808</u>	<u>\$ 1,636,793</u>	<u>\$ 1,038,985</u>	<u>\$ (269,306)</u>	<u>\$ 215,082</u>	<u>\$ 484,388</u>

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

MARION 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.

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, Sales Tax – Law Enforcement, Sales Tax – Solid Waste, Sales Tax – Fire Department, Sales Tax – County Road, and Drug Fund Restitution.

Road Fund - The Road Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Road Fund accounts for and reports proceeds of state highway turnback and property taxes that are restricted or committed for maintaining and constructing roads. The Road Fund heading as it appears in the financial statements includes the following accounts: Road, County Road Quarry, and Road Department Special Savings.

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: Recorder's Cost, Treasurer's Automation, County Building Improvement, Courthouse Security Grant, Jail Assessment Fees, Breathalyzer, Collector's Automation, Development/Occupancy Permit, Child Support, Boating Safety, Law Enforcement - Federal Emergency Management Agency (FEMA) Grant, Recycling Grant, Public Defender, Commercial Mobile Radio Service (CMRS) 911 Board, Circuit Court Automation, Emergency Vehicle, Planning Board, Juvenile Probation, Corp of Engineers, Disaster, Metro Police Yellville, Courthouse Restoration, Public Safety Answering Point, Assessor's Amendment no. 79, 2009 FEMA Disaster Flooding, Capital Mercury/Marion County Shirt Company, United States Department of Agriculture Sheriff's Vehicle Grants, Nursing Home Board, Communications Facilities and Equipment, District Court Automation, Arkansas Rural Services, American Recovery and Reinvestment Act (ARRA) – Diesel Emission Reduction Act, Arkansas State Justice Assistance Grant (JAG) Mini Grant, County Library, and Peel Fire Department Grant.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Regulatory Fund Accounting (Continued)

Other Funds in the Aggregate (Continued)

Agency Funds - Agency Funds are used to account for assets held by the entity as an agent for individuals, private organizations, other governmental units, and other funds. The following Agency Funds are reported with other funds in the aggregate: Treasurer's Accounts (Treasurer, Current Taxes, Law Library, Property Tax Relief Trust, Administration of Justice, Yellville Rural Fire Department, Ralph Caney Fire Department, Summit Rural Fire Department, Pyatt Fire Department, Bruno Fire Department, Ranger Boat Project, Fire Generator Project, and Fire General Improvement), Collector's Accounts (Delinquent Personal, Delinquent Real, and Held in Protest), Sheriff's Accounts (Fee, Bond and Fine, Circuit Bond, and Seized Property), County Clerk (Fee and Trust), District Court (County), and Juvenile Probation Fee.

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 and savings accounts and certificates of deposit.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, commissions, and trust funds 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.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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 Sheriff's Communications Facilities and Equipment Fund.

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.

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

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
State aid	\$ 8,955		
Federal aid		\$ 22,704	
Sales taxes	74,903		
Fines, forfeitures, and costs	12,659		\$ 1,124
Officers' fees	4,851		1,260
Law enforcement services			5,779
911 fees			7,590
Sanitation fees	379		
Treasurer's commission	63,077		
Sale of nursing home	741,878		
Other	25,120	11,507	
Totals	<u>\$ 931,822</u>	<u>\$ 34,211</u>	<u>\$ 15,753</u>

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	<u>\$ 133,185</u>	<u>\$ 14,729</u>	<u>\$ 2,667</u>

NOTE 6: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The County is subject to a constitutional limitation for bonded indebtedness equal to 10% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2012, the legal debt limit for bonded debt was \$19,339,174. 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 \$5,057,454. The amount of short-term financing obligations was \$664,974 leaving a legal debt margin of \$4,392,480.

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

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
Fund Balances:			
Restricted for:			
General government			\$ 622,071
Law enforcement			135,019
Highways and streets		\$ 215,082	
Public safety			135,226
Sanitation			20,416
Recreation and culture			509,268
Total Restricted		<u>215,082</u>	<u>1,422,000</u>
Committed for:			
General government			70,959
Law enforcement	\$ 16,727		13,478
Highways and streets	1,154		
Public safety	5,763		
Sanitation	<u>201,172</u>		
Total Committed	<u>224,816</u>		<u>84,437</u>
Assigned to:			
Law enforcement	626		
Health			114,398
Total Assigned	<u>626</u>		<u>114,398</u>
Unassigned	<u>1,411,351</u>		
Totals	<u>\$ 1,636,793</u>	<u>\$ 215,082</u>	<u>\$ 1,620,835</u>

NOTE 8: Commitments

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

	December 31, 2012
Long-term liabilities	\$ 664,974
Reappraisal contract	<u>534,688</u>
Total Commitments	<u>\$ 1,199,662</u>

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

NOTE 8: Commitments (Continued)

Long-Term Liabilities

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

	<u>December 31, 2012</u>
Lease-purchase agreement dated July 17, 2010 with Arvest Equipment Finance in the amount of \$82,000, interest rate of 4.1%, for the purchase of 2 Mack trucks. Monthly payments of \$2,425 for 36 months. Payments are to be made from the American Recovery and Reinvestment Act - Diesel Emission Reduction Act Fund and the Road Fund.	\$ 16,743
Lease-purchase agreement dated March 29, 2010 with US Bancorp in the amount of \$22,589, interest rate of 4.69%, for the purchase of a Kubota 4WD tractor and front loader. Semiannual payments of \$2,514. Payments are to be made from the General Fund.	9,487
Lease-purchase agreement dated April 26, 2011 with Caterpillar Financial Services in the amount of \$129,950, interest rate of 3.25%, for the purchase of a 2010 Cat 12M grader. Monthly payments of \$351 for 36 months and a final payment of \$129,950 plus accrued interest. Payments are to be made from the Road Fund.	129,950
Lease-purchase agreement dated April 26, 2011 with Caterpillar Financial Services in the amount of \$124,500, interest rate of 3.25%, for the purchase of a 2010 Cat 12M grader. Monthly payments of \$191 for 36 months and a final payment of \$124,500 plus accrued interest. Payments are to be made from the Road Fund.	124,500
Lease-purchase agreement dated February 23, 2011 with Scott Financial Services in the amount of \$78,171, interest rate of 5.50%, for the purchase of a 2007 New Holland 4x4 tractor. Monthly payments of \$1,496 for 60 months. Payments are to be made from the Road Fund.	51,995
Lease-purchase agreement dated February 11, 2011 with Welch State Bank in the amount of \$114,200, interest rate of 3.48%, for the purchase of a 2008 Volvo grader. Monthly payments of \$2,552 for 48 months. Payments are to be made from the Road Fund.	63,827
Lease-purchase agreement dated May 30, 2012 with Caterpillar Financial Services in the amount of \$151,450, interest rate of 3.20%, for the purchase of a Cat 12M grader. Monthly payments of \$840 for 36 months plus a balloon payment of \$135,840. Payments are to be made from the Road Fund.	149,258
Lease-purchase agreement in the amount of \$65,937 with Scott Financial Services for the purchase of a backhoe dated July 28, 2012, interest rate of 5.5%, to be paid in 53 installments of \$1,262. Payments are to be made from the Road Fund.	60,142
Lease-purchase agreement in the amount of \$59,072 with Scott Financial Services for the purchase of a backhoe for the transfer station dated December 5, 2012, interest rate of 5.75%, to be paid in 60 installments of \$1,138 a month. Payments are to be made from the Sales Tax - Solid Waste account of the General Fund.	<u>59,072</u>
Total Long-Term Liabilities	<u><u>\$ 664,974</u></u>

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

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

NOTE 8: Commitments (Continued)

Compensated Absences

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

Post Employment Benefits Other Than Pensions

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

Debt Service Requirements to Maturity

The County is obligated for the following amounts at December 31, 2012:

<u>Years Ending December 31,</u>	<u>Leases</u>
2013	\$ 115,954
2014	354,645
2015	192,725
2016	31,783
2017	21,220
Total Obligations	<u>716,327</u>
Less Interest	<u>51,353</u>
Total Principal	<u><u>\$ 664,974</u></u>

Reappraisal Contract

On December 20, 2011, the County entered into a contract with Delta Mass Appraisal Services, Inc., for reappraisal services. Terms of the contract require \$11,139 monthly payments for 60 months. The County is obligated for the following amounts for the next four years:

<u>Years Ending December 31,</u>	<u>Amounts</u>
2013	\$ 133,672
2014	133,672
2015	133,672
2016	<u>133,672</u>
Total	<u><u>\$ 534,688</u></u>

Reappraisal expense for 2012 was \$133,533.

NOTE 9: Interfund Transfers

The General Fund transferred \$189,262 to the Road Fund for operations. The Other Funds in the Aggregate transferred \$235 to the Road Fund to reimburse expenditures. The General Fund transferred \$74 to the Other Funds in the Aggregate to reimburse expenditures. The Other Funds in the Aggregate transferred \$15,000 to the General Fund for operations.

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

NOTE 10: Prior Year Restatement

To comply with Ark. Code Ann. § 19-5-602(a)(3), the beginning fund balances of the General Fund and the Road Fund were decreased by \$58,268 and \$72,466, respectively, to recognize revenues in the year received by the County.

NOTE 11: Jointly Governed Organizations

Marion County paid the Ozark Mountain Solid Waste District d/b/a Nabors Hauling and Landfill \$557,721 during 2012. The District is a jointly governed organization comprised of representatives from Baxter, Boone, Carroll, Marion, Newton, and Searcy Counties and participating cities within the aforementioned counties. Representatives are the respective county judges and mayors unless some other representative is appointed by the participating entity.

On February 22, 2010, the Quorum Court adopted an Interlocal Alliance Agreement between Baxter and Marion Counties and the City of Mountain Home for the purpose of purchasing the Nabors Landfill and Hauling Operation. The North Arkansas Board of Regional Sanitation was then formed by Baxter and Marion Counties and the City of Mountain Home to operate, maintain, and improve the Nabors Landfill and Hauling Operation. The Board of Directors consists of seven persons; the mayor and judges from the respective members and one selected by the Legislative body of each member. These six select the seventh member.

The Prosecuting Attorney of the Fourteenth Judicial District, the Sheriff's Departments of Baxter, Boone, Marion, and Newton Counties, and the Police Departments of Harrison and Mountain Home entered into an agreement to establish the Fourteenth Judicial Drug Task Force. Funding was provided through a Drug Law Enforcement Program grant applied for by the Prosecuting Attorney of the Fourteenth Judicial District. Financial statements of the Fourteenth Judicial Drug Task Force are not available.

NOTE 12: 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 \$350,000. The County agrees to pay into the program each year a rate established by the Risk Management Fund Board. Each county also agrees to pay the first \$500 of the aggregate cost for all expenses on each lawsuit.

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

NOTE 12: Risk Management (Continued)

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

NOTE 13: 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.

NOTE 14: Sale of Nursing Home

On October 12, 2012, the County sold the Marion County Nursing Home to Creekside Health and Rehabilitation Center for \$750,000. The net proceeds of \$743,804 (after payment of \$3,941 attorney fees and \$2,255 abstract fees) were retained by the Abstract company until a proper use of funds could be determined. The Nursing Home Board of Governors filed a lawsuit against the County on December 17, 2012 to determine the proper use of the proceeds. On February 20, 2013, in the Circuit Court of Marion County, Arkansas, a ruling was issued that these proceeds were to be placed in the County General Fund. The County Treasurer received \$741,878 (after payment of \$1,926 additional attorney fees) on March 4, 2013.

NOTE 15: Interlocal Agreement

Marion County and the City of Yellville entered into an interlocal agreement during 2012 for the purpose of providing law enforcement for the City. The City reimburses the County for the services provided. In 2012, the County received \$100,304 from the City.

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

Schedule 1

	SPECIAL REVENUE FUNDS							
	Recorder's Cost	Treasurer's Automation	County Building Improvement	Jail Assessment Fees	Breathalyzer	Collector's Automation	Development/ Occupancy Permit	Child Support
ASSETS								
Cash and cash equivalents	\$ 382,325	\$ 13,760	\$ 4,035	\$ 16,181	\$ 10,254	\$ 121,130	\$ 70,948	\$ 19,324
Accounts receivable				40				
TOTAL ASSETS	<u>\$ 382,325</u>	<u>\$ 13,760</u>	<u>\$ 4,035</u>	<u>\$ 16,221</u>	<u>\$ 10,254</u>	<u>\$ 121,130</u>	<u>\$ 70,948</u>	<u>\$ 19,324</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 737							\$ 602
Settlements pending								
Total Liabilities	<u>737</u>							<u>602</u>
Fund Balances:								
Restricted	381,588	\$ 13,760	\$ 4,035	\$ 16,221	\$ 10,254	\$ 121,130		18,722
Committed							\$ 70,948	
Assigned								
Total Fund Balances	<u>381,588</u>	<u>13,760</u>	<u>4,035</u>	<u>16,221</u>	<u>10,254</u>	<u>121,130</u>	<u>70,948</u>	<u>18,722</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 382,325</u>	<u>\$ 13,760</u>	<u>\$ 4,035</u>	<u>\$ 16,221</u>	<u>\$ 10,254</u>	<u>\$ 121,130</u>	<u>\$ 70,948</u>	<u>\$ 19,324</u>

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

Schedule 1

SPECIAL REVENUE FUNDS								
	Boating Safety	Law Enforcement - Federal Emergency Management Agency (FEMA) Grant	Recycling Grant	Public Defender	Commercial Mobile Radio Service (CMRS) 911 Board	Circuit Court Automation	Emergency Vehicle	Planning Board
ASSETS								
Cash and cash equivalents	\$ 11,791	\$ 2,780	\$ 20,416	\$ 33,054	\$ 12,146	\$ 16,305	\$ 5,297	\$ 8,591
Accounts receivable					7,590	490	690	
TOTAL ASSETS	<u>\$ 11,791</u>	<u>\$ 2,780</u>	<u>\$ 20,416</u>	<u>\$ 33,054</u>	<u>\$ 19,736</u>	<u>\$ 16,795</u>	<u>\$ 5,987</u>	<u>\$ 8,591</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable				\$ 118	\$ 55			
Settlements pending								
Total Liabilities				<u>118</u>	<u>55</u>			
Fund Balances:								
Restricted	\$ 11,791	\$ 2,780	\$ 20,416	32,936	19,681	\$ 16,795	\$ 5,987	\$ 8,591
Committed								
Assigned								
Total Fund Balances	<u>11,791</u>	<u>2,780</u>	<u>20,416</u>	<u>32,936</u>	<u>19,681</u>	<u>16,795</u>	<u>5,987</u>	<u>8,591</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,791</u>	<u>\$ 2,780</u>	<u>\$ 20,416</u>	<u>\$ 33,054</u>	<u>\$ 19,736</u>	<u>\$ 16,795</u>	<u>\$ 5,987</u>	<u>\$ 8,591</u>

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

Schedule 1

	SPECIAL REVENUE FUNDS							
	Juvenile Probation	Corp of Engineers	Disaster	Metro Police Yellville	Courthouse Restoration	Public Safety Answering Point	Assessor's Amendment no. 79	2009 FEMA Disaster Flooding
ASSETS								
Cash and cash equivalents	\$ 10,567	\$ 170	\$ 616	\$ 8,022	\$ 11	\$ 105,168	\$ 5,677	\$ 1
Accounts receivable	365			5,779				
TOTAL ASSETS	<u>\$ 10,932</u>	<u>\$ 170</u>	<u>\$ 616</u>	<u>\$ 13,801</u>	<u>\$ 11</u>	<u>\$ 105,168</u>	<u>\$ 5,677</u>	<u>\$ 1</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable				\$ 323				
Settlements pending								
Total Liabilities				<u>323</u>				
Fund Balances:								
Restricted	\$ 10,932	\$ 170	\$ 616			\$ 105,168	\$ 5,677	\$ 1
Committed				13,478	\$ 11			
Assigned								
Total Fund Balances	<u>10,932</u>	<u>170</u>	<u>616</u>	<u>13,478</u>	<u>11</u>	<u>105,168</u>	<u>5,677</u>	<u>1</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,932</u>	<u>\$ 170</u>	<u>\$ 616</u>	<u>\$ 13,801</u>	<u>\$ 11</u>	<u>\$ 105,168</u>	<u>\$ 5,677</u>	<u>\$ 1</u>

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

Schedule 1

SPECIAL REVENUE FUNDS

	Capital Mercury/Marion County Shirt Company	Nursing Home Board	Communications Facilities and Equipment	District Court Automation	Arkansas Rural Services	County Library	Peel Fire Department Grant
ASSETS							
Cash and cash equivalents	\$ 59,693	\$ 114,398	\$ 23,744	\$ 8,597	\$ 8,875	\$ 510,100	\$ 3,773
Accounts receivable			405	394			
TOTAL ASSETS	<u>\$ 59,693</u>	<u>\$ 114,398</u>	<u>\$ 24,149</u>	<u>\$ 8,991</u>	<u>\$ 8,875</u>	<u>\$ 510,100</u>	<u>\$ 3,773</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable						\$ 832	
Settlements pending							
Total Liabilities						<u>832</u>	
Fund Balances:							
Restricted	\$ 59,693		\$ 24,149	\$ 8,991	\$ 8,875	509,268	\$ 3,773
Committed							
Assigned		\$ 114,398					
Total Fund Balances	<u>59,693</u>	<u>114,398</u>	<u>24,149</u>	<u>8,991</u>	<u>8,875</u>	<u>509,268</u>	<u>3,773</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 59,693</u>	<u>\$ 114,398</u>	<u>\$ 24,149</u>	<u>\$ 8,991</u>	<u>\$ 8,875</u>	<u>\$ 510,100</u>	<u>\$ 3,773</u>

MARION 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	District Court Accounts	Juvenile Probation Fee	Totals
ASSETS							
Cash and cash equivalents	\$ 172,103	\$ 64,037	\$ 47,353	\$ 70,264	\$ 1,000	\$ 10,567	\$ 1,973,073
Accounts receivable							15,753
TOTAL ASSETS	\$ 172,103	\$ 64,037	\$ 47,353	\$ 70,264	\$ 1,000	\$ 10,567	\$ 1,988,826
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable							\$ 2,667
Settlements pending	\$ 172,103	\$ 64,037	\$ 47,353	\$ 70,264	\$ 1,000	\$ 10,567	365,324
Total Liabilities	172,103	64,037	47,353	70,264	1,000	10,567	367,991
Fund Balances:							
Restricted							1,422,000
Committed							84,437
Assigned							114,398
Total Fund Balances							1,620,835
TOTAL LIABILITIES AND FUND BALANCES	\$ 172,103	\$ 64,037	\$ 47,353	\$ 70,264	\$ 1,000	\$ 10,567	\$ 1,988,826

MARION 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								
	Recorder's Cost	Treasurer's Automation	County Building Improvement	Courthouse Security Grant	Jail Assessment Fees	Breathalyzer	Collector's Automation	Development/ Occupancy Permit	Child Support
REVENUES									
State aid				\$ 10,000					
Federal aid									
Property taxes			\$ 35						
Fines, forfeitures, and costs						\$ 1,302			
Interest	\$ 1,597	\$ 37	22		\$ 111	34	\$ 362	\$ 279	\$ 68
Officers' fees	129,614				13,738				1,097
911 fees									
Law enforcement services									
Development permits								12,900	
Treasurer's commission		12,531							
Collector's commission							33,513		
Other	8				137			138	12
TOTAL REVENUES	131,219	12,568	57	10,000	13,986	1,336	33,875	13,317	1,177
Less: Treasurer's commission	2,817				286			258	32
NET REVENUES	128,402	12,568	57	10,000	13,700	1,336	33,875	13,059	1,145
EXPENDITURES									
Current:									
General government	270,961	11,137	261				5,371	7,811	1,985
Law enforcement				10,001	41,807	150			
Highways and streets									
Public safety									
Health									
Recreation and culture									
TOTAL EXPENDITURES	270,961	11,137	261	10,001	41,807	150	5,371	7,811	1,985
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(142,559)	1,431	(204)	(1)	(28,107)	1,186	28,504	5,248	(840)
OTHER FINANCING SOURCES (USES)									
Transfers in									
Transfers out							(10,000)		
TOTAL OTHER FINANCING SOURCES (USES)							(10,000)		
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(142,559)	1,431	(204)	(1)	(28,107)	1,186	18,504	5,248	(840)
FUND BALANCES - JANUARY 1	524,147	12,329	4,239	1	44,328	9,068	102,626	65,700	19,562
FUND BALANCES - DECEMBER 31	\$ 381,588	\$ 13,760	\$ 4,035	\$ 0	\$ 16,221	\$ 10,254	\$ 121,130	\$ 70,948	\$ 18,722

MARION 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								
	Boating Safety	Law Enforcement - Federal Emergency Management Agency (FEMA) Grant	Recycling Grant	Public Defender	Commercial Mobile Radio Service (CMRS) 911 Board	Circuit Court Automation	Emergency Vehicle	Planning Board	Juvenile Probation
REVENUES									
State aid	\$ 6,257								
Federal aid									
Property taxes									
Fines, forfeitures, and costs				\$ 5,569		\$ 5,744	\$ 2,845		\$ 7,202
Interest	32			114	\$ 35	48	15	\$ 31	33
Officers' fees			\$ 76					320	
911 fees					55,224				
Law enforcement services									
Development permits									
Treasurer's commission					504				
Collector's commission									
Other	50		1,500	20			7		76
TOTAL REVENUES	6,339		1,576	5,703	55,763	5,792	2,867	351	7,311
Less: Treasurer's commission	146			46	956		44	6	140
NET REVENUES	6,193		1,576	5,657	54,807	5,792	2,823	345	7,171
EXPENDITURES									
Current:									
General government			13,442					363	
Law enforcement	434			3,564					3,505
Highways and streets									
Public safety					50,812				
Health									
Recreation and culture									
TOTAL EXPENDITURES	434		13,442	3,564	50,812			363	3,505
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,759		(11,866)	2,093	3,995	5,792	2,823	(18)	3,666
OTHER FINANCING SOURCES (USES)									
Transfers in									
Transfers out					(235)				
TOTAL OTHER FINANCING SOURCES (USES)					(235)				
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	5,759		(11,866)	2,093	3,760	5,792	2,823	(18)	3,666
FUND BALANCES - JANUARY 1	6,032	\$ 2,780	32,282	30,843	15,921	11,003	3,164	8,609	7,266
FUND BALANCES - DECEMBER 31	\$ 11,791	\$ 2,780	\$ 20,416	\$ 32,936	\$ 19,681	\$ 16,795	\$ 5,987	\$ 8,591	\$ 10,932

MARION 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								
	Corp of Engineers	Disaster	Metro Police Yellville	Courthouse Restoration	Public Safety Answering Point	Assessor's Amendment no. 79	2009 FEMA Disaster Flooding	Capital Mercury/Marion County Shirt Company	United States Department of Agriculture Sheriff's Vehicle Grants
REVENUES									
State aid						\$ 32			
Federal aid	\$ 10,928	\$ 99,075							\$ 21,584
Property taxes									
Fines, forfeitures, and costs									
Interest	5		\$ 34		\$ 288	42	\$ 45		
Officers' fees								\$ 211	
911 fees					95,679				
Law enforcement services			126,668						
Development permits									
Treasurer's commission									
Collector's commission									
Other	159		967		655				
TOTAL REVENUES	11,092	99,075	127,669		96,622	74	45	211	21,584
Less: Treasurer's commission	219		2,418		1,583				
NET REVENUES	10,873	99,075	125,251		95,039	74	45	211	21,584
EXPENDITURES									
Current:									
General government	10,766	99,210		\$ 1		72			
Law enforcement			113,301						21,658
Highways and streets									
Public safety					71,784		70,641		
Health									
Recreation and culture									
TOTAL EXPENDITURES	10,766	99,210	113,301	1	71,784	72	70,641		21,658
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	107	(135)	11,950	(1)	23,255	2	(70,596)	211	(74)
OTHER FINANCING SOURCES (USES)									
Transfers in									74
Transfers out						(5,000)			
TOTAL OTHER FINANCING SOURCES (USES)						(5,000)			74
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	107	(135)	11,950	(1)	23,255	(4,998)	(70,596)	211	0
FUND BALANCES - JANUARY 1	63	751	1,528	12	81,913	10,675	70,597	59,482	
FUND BALANCES - DECEMBER 31	\$ 170	\$ 616	\$ 13,478	\$ 11	\$ 105,168	\$ 5,677	\$ 1	\$ 59,693	\$ 0

MARION 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								
	Nursing Home Board	Communications Facilities and Equipment	District Court Automation	Arkansas Rural Services	American Recovery and Reinvestment Act (ARRA) - Diesel Emission Reduction Act	Arkansas State Justice Assistance Grant (JAG) Mini Grant	County Library	Peel Fire Department Grant
								Totals
REVENUES								
State aid				\$ 8,875			\$ 32,075	\$ 144,823
Federal aid					\$ 15,394	\$ 4,200		151,181
Property taxes							135,358	135,393
Fines, forfeitures, and costs			\$ 6,346					29,008
Interest	\$ 254		24				2,157	5,667
Officers' fees		\$ 10,399						155,455
911 fees								150,903
Law enforcement services								126,668
Development permits								12,900
Treasurer's commission								13,035
Collector's commission								33,513
Other			20				7,523	11,272
TOTAL REVENUES	254	10,399	6,390	8,875	15,394	4,200	177,113	969,818
Less: Treasurer's commission			123				3,412	12,486
NET REVENUES	254	10,399	6,267	8,875	15,394	4,200	173,701	957,332
EXPENDITURES								
Current:								
General government			1,000					422,380
Law enforcement		2,834				4,200		201,454
Highways and streets					15,394			15,394
Public safety								\$ 11,227
Health	3,613							3,613
Recreation and culture							140,998	140,998
TOTAL EXPENDITURES	3,613	2,834	1,000		15,394	4,200	140,998	1,075,887
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,359)	7,565	5,267	8,875	0	0	32,703	(118,555)
OTHER FINANCING SOURCES (USES)								
Transfers in								74
Transfers out								(15,235)
TOTAL OTHER FINANCING SOURCES (USES)								(15,161)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(3,359)	7,565	5,267	8,875			32,703	(133,716)
FUND BALANCES - JANUARY 1	117,757	16,584	3,724				476,565	1,754,551
FUND BALANCES - DECEMBER 31	\$ 114,398	\$ 24,149	\$ 8,991	\$ 8,875	\$ 0	\$ 0	\$ 509,268	\$ 1,620,835

MARION 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.

Fund Name	Fund Description
Recorder's Cost	Ark. Code Ann. § 21-6-306 established fund to receive fees collected by county/circuit clerks to be used for automated record systems.
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.
County Building Improvement	Marion County Ordinance no. 2006-54 (December 12, 2006) established fund to receive funds to be used for building repair and improvements.
Courthouse Security Grant	Ark. Code Ann. § 16-10-1006 established fund for the purpose of providing financial assistance to local governments to assist in the implementation of local security and emergency preparedness plans for Circuit and District Courts.
Jail Assessment 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.
Breathalyzer	Ark. Code Ann. § 16-10-307 established fund to receive revenues generated from court costs to be used to maintain and purchase breathalyzer equipment.
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.
Development/Occupancy Permit	Marion County Ordinance no. 2003-12 (April 9, 2003) established fund to account for fees received for building and occupancy permits.
Child Support	Ark. Code Ann. § 9-10-109 established fund to receive fees to offset administrative costs in the Clerk's office.
Boating Safety	Ark. Code Ann. § 27-101-111 established fund to receive fees to be used for operating a patrol on the waterways within a county or for emergency rescue services if the county has not established a patrol.
Law Enforcement - Federal Emergency Management Agency (FEMA) Grant	Fund established to account for federal grant funds received for disaster relief from the Federal Emergency Management Agency for law enforcement.

MARION 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.

Fund Name	Fund Description
Recycling Grant	Fund established to account for state and federal grants from the Arkansas Department of Environmental Quality and fees received to create and operate a recycling program.
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.
Commercial Mobile Radio Service (CMRS) 911 Board	Ark. Code Ann. § 12-10-318 established fund to receive fees collected by telephone providers for 911 emergency services.
Circuit Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive Circuit Court installment fees of 1/2 of \$5 per month on each person to be used for court operations.
Emergency Vehicle	Ark. Code Ann. § 27-22-103 established fund for increasing the fine for failure to license motor vehicles to be used for the purchase and maintenance of rescue, emergency medical, and law enforcement vehicles.
Planning Board	Marion County Ordinance no. 80-008 (September 10, 1980) established fund to account for fees generated by building and related permits required by Marion County.
Juvenile Probation	Ark. Code Ann. § 16-13-326 established fund to receive fees paid by juveniles for services provided to juveniles by the Court.
Corp of Engineers	Fund previously established to account for federal funds received from the Corps of Engineers for their contract with Marion County to patrol the waterways.
Disaster	Marion County Ordinance no. 2003-008 (March 12, 2003) established fund to account for state and federal disaster relief grants.
Metro Police Yellville	Marion County Ordinance no. 97-59 (September 25, 1997) established fund to account for monies received from the City of Yellville for the metropolitan branch of the Marion County Sheriff's Office.

MARION 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.

Fund Name	Fund Description
Courthouse Restoration	Fund previously established to maintain building restoration grants from Arkansas Historical Society to renovate courthouse.
Public Safety Answering Point	Ark. Code Ann. § 12-10-305 established fund to be used to provide an answering system for emergency calls.
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.
2009 FEMA Disaster Flooding	Fund established to account for federal grant funds received for disaster relief from the Federal Emergency Management Agency.
Capital Mercury/Marion County Shirt Company	Lease agreement established fund to account for local funds used to repair the roof of a county owned building.
United States Department of Agriculture Sheriff's Vehicle Grants	Fund established to account for federal grant funds received for the benefit of the Marion County Sheriff's Office.
Nursing Home Board	Fund established to account for revenue set aside for nursing home maintenance.
Communications Facilities 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.
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive District Court installment fee of 1/2 of \$5 per month on each person to be used for court related technology.
Arkansas Rural Services	Fund established to account for state grant funds received for the benefit of the Marion County Courthouse.
American Recovery and Reinvestment Act (ARRA) - Diesel Emission Reduction Act	Fund established to account for federal grant funds received for the benefit of the Marion County Road Department.

MARION 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.

Fund Name	Fund Description
Arkansas State Justice Assistance Grant (JAG) Mini Grant	Fund established to account for federal grant funds received for the benefit of the Marion County Sheriff's Office.
County Library	Ark. Code Ann. § 13-2-404 established funds to account for fees collected and library property tax millage levied by the Quorum Court.
Peel Fire Department Grant	Ark. Code Ann. § 14-270-103 established fund to receive state incentive funds to be used for construction, development, and improvements of fire protection and construction projects benefiting citizens.

Treasurer's accounts consist primarily of funds held for other agencies.

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

Sheriff's accounts consist primarily of bonds, fines, and fees due to other agencies.

County Clerk's accounts consist primarily of trust money awaiting disposition by the applicable court and fee money to be settled with Treasurer.

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

Juvenile Probation Fee account consist primarily of fees not yet distributed to the County Treasurer.

MARION COUNTY, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2012
(Unaudited)

Schedule 3

	December 31, 2012
Land	\$ 455,363
Buildings	4,642,571
Equipment	<u>4,087,932</u>
Total	<u>\$ 9,185,866</u>

MARION 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	\$ 1,769,978	\$ 1,157,255	\$ 1,320,715	\$ 1,352,579	\$ 1,476,117
Total Liabilities	133,185	88,673	112,217	111,697	97,559
Total Fund Balances	1,636,793	1,068,582	1,208,498	1,240,882	1,378,558
Net Revenues	3,453,282	3,373,077	3,472,974	3,289,123	3,461,172
Total Expenditures	3,402,467	3,391,721	3,450,798	3,026,333	3,129,448
Total Other Financing Sources/Uses	575,664	(121,272)	(54,560)	(400,466)	(45,959)
<u>Road</u>					
Total Assets	\$ 229,811	\$ 829,151	\$ 1,424,360	\$ 606,192	\$ 591,816
Total Liabilities	14,729	51,282	33,425	20,343	35,374
Total Fund Balances	215,082	777,869	1,390,935	585,849	556,442
Net Revenues	1,457,468	1,450,796	2,877,250	1,494,476	1,617,581
Total Expenditures	2,137,286	2,228,862	2,138,345	1,769,665	1,505,018
Total Other Financing Sources/Uses	189,497	165,000	66,181	15,000	
<u>Other Funds in the Aggregate</u>					
Total Assets	\$ 1,988,826	\$ 2,116,367	\$ 2,316,123	\$ 2,099,702	\$ 2,095,673
Total Liabilities	367,991	361,816	388,329	427,316	356,666
Total Fund Balances	1,620,835	1,754,551	1,927,794	1,672,386	1,739,007
Net Revenues	957,332	932,472	1,509,089	3,192,564	971,584
Total Expenditures	1,075,887	1,061,987	1,242,060	3,355,055	866,255
Total Other Financing Sources/Uses	(15,161)	(43,728)	(11,621)	385,466	45,959