

**Bradley County, Arkansas**

**Regulatory Basis Financial Statements,  
Supplemental Information and Other Reports**

**December 31, 2005**



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Sen. Henry "Hank" Wilkins, IV  
Senate Co-Chair  
Rep. Tommy G. Roebuck  
House Co-Chair  
Sen. Randy Laverty  
Senate Co-Vice Chair  
Rep. Sandra Prater  
House Co-Vice Chair

# Arkansas



Charles L. Robinson, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying regulatory basis financial statements of the general fund, road fund, and other funds in the aggregate of Bradley County, Arkansas, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1(B and C), the County has prepared these financial statements using accounting practices prescribed or permitted by Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Bradley County, Arkansas, as of December 31, 2005, or the changes in financial position or cash flows, where applicable, thereof for the year then ended. Further, the County has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The financial statements referred to above do not disclose all the required information concerning deposit risks, which should be included in order to conform with the regulatory basis of accounting described in Note 1(C).

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of the general fund, road fund, and other funds in the aggregate of Bradley County, Arkansas, as of December 31, 2005, and the respective changes in the regulatory basis financial position, and the budgetary results for the general fund and road fund for the year then ended on the basis of accounting as described in Note 1(C).

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2006 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements of Bradley County, Arkansas. The supplementary information in the Schedule of Capital Assets listed in the table of contents as Schedule 1 is required by the regulatory basis of presentation and is presented for the purpose of additional analysis. We have not applied auditing procedures to this information and, accordingly, we express no opinion on the Schedule of Capital Assets.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE  
Legislative Auditor

Little Rock, Arkansas  
August 24, 2006  
LOCO00605

Sen. Henry "Hank" Wilkins, IV  
Senate Co-Chair  
Rep. Tommy G. Roebuck  
House Co-Chair  
Sen. Randy Laverty  
Senate Co-Vice Chair  
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House Co-Vice Chair

# Arkansas



Charles L. Robinson, 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

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

We have audited the accompanying regulatory basis financial statements of the general fund, road fund, and other funds in the aggregate of Bradley County, Arkansas, as of and for the year ended December 31, 2005 and have issued our report thereon dated August 24, 2006. In our report, 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described below relating to inadequate segregation of duties to be a material weakness.

To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording cash 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 cash transactions to the extent possible with the current staffing levels.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of the state constitution, laws and regulations, 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*.

Other Issues

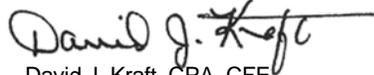
The commentary contained in this section relates to the following officials that held office during 2005:

County Judge: Lavern Rice  
Treasurer: Lorece Thompson  
Sheriff/Tax Collector: William "Butch" Belin  
County Clerk: Janet Kimbrell  
Circuit Clerk: Dona Smith  
District Court Clerk: Joan Taunton

Our audit procedures indicated that the Offices of **County Judge, Treasurer, Sheriff/Tax Collector, County Clerk, Circuit Clerk** and **District Court Clerk** were in substantial compliance with Arkansas fiscal and financial laws.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local County government, state executive and oversight management, the federal awarding agencies and pass-through entities, if applicable, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Arkansas Code Annotated §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



David J. Kraft, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
August 24, 2006

BRADLEY COUNTY, ARKANSAS  
 COMBINED BALANCE SHEET - REGULATORY BASIS  
 DECEMBER 31, 2005

Exhibit A

	General	Road	Other Funds In The Aggregate
<b>ASSETS</b>			
Cash and cash equivalents	\$ 149,957	\$ 10,591	\$ 1,241,740
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Settlements pending			\$ 414,049
Fund Balances:			
Reserved		\$ 10,591	827,691
Unreserved:			
Designated	\$ 6,158		
Undesignated	143,799		
Total Fund Balances	149,957	10,591	827,691
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 149,957</b>	<b>\$ 10,591</b>	<b>\$ 1,241,740</b>

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

BRADLEY COUNTY, ARKANSAS  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit B

	General	Road	Other Funds In The Aggregate
<b>RECEIPTS</b>			
State aid	\$ 449,591	\$ 801,174	\$ 21,077
Federal aid	73,220	9,065	1,500
Property taxes	417,829	182,327	101,369
Sales taxes	420,836	175,983	596,585
Fines, forfeitures and costs	89,408		6,461
Interest	2,835	1,425	9,162
Officers' fees	75,713		26,399
Jail fees	24,300		
Sanitation fees			363,348
911 fees			51,901
Treasurer's commission	70,704		3,721
Collector's commission	192,848		
Taxes apportioned - Assessor's salary and expense	100,374		
Other	59,908	291,418	67,643
	1,977,566	1,461,392	1,249,166
<b>TOTAL RECEIPTS</b>			
Less: Treasurer's commission	21,532	23,329	14,764
	1,956,034	1,438,063	1,234,402
<b>DISBURSEMENTS</b>			
Current:			
General government	836,211		30,333
Law enforcement	513,969		8,392
Highways and streets		1,341,394	
Public safety	82,053		57,168
Sanitation			655,555
Health	34,203		
Recreation and culture	71,405		93,500
Social services	19,663		
Total Current	1,557,504	1,341,394	844,948
Debt service:			
Bond principal			300,000
Bond interest and other charges			75,163
Principal reduction on note payable	11,551	311,121	21,344
Interest imputed on note payable	785	10,049	2,656
	1,569,840	1,662,564	1,244,111
<b>TOTAL DISBURSEMENTS</b>			
<b>EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	386,194	(224,501)	(9,709)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	202,048		181,161
Transfers out	(181,161)		(202,048)
Proceeds from note payable	3,400	113,000	31,764
Contributions to hospital	(420,836)		
	(396,549)	113,000	10,877
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			

BRADLEY COUNTY, ARKANSAS  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit B

	General	Road	Other Funds In The Aggregate
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	\$ (10,355)	\$ (111,501)	\$ 1,168
FUND BALANCES - JANUARY 1	160,312	122,092	826,523
FUND BALANCES - DECEMBER 31	\$ 149,957	\$ 10,591	\$ 827,691

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

BRADLEY COUNTY, ARKANSAS  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND ROAD FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
State aid	\$ 411,748	\$ 449,591	\$ 37,843	\$ 790,800	\$ 801,174	\$ 10,374
Federal aid	73,220	73,220		9,066	9,065	(1)
Property taxes	590,184	417,829	(172,355)	183,918	182,327	(1,591)
Sales taxes		420,836	420,836	180,000	175,983	(4,017)
Fines, forfeitures and costs	115,215	89,408	(25,807)			
Interest	1,759	2,835	1,076	1,400	1,425	25
Officers' fees	66,000	75,713	9,713			
Jail fees	24,600	24,300	(300)			
Treasurer's commission	74,184	70,704	(3,480)			
Collector's commission	131,243	192,848	61,605			
Taxes apportioned - Assessor's salary and expense	88,929	100,374	11,445			
Other	43,269	59,908	16,639	83,104	291,418	208,314
<b>TOTAL RECEIPTS</b>	<b>1,620,351</b>	<b>1,977,566</b>	<b>357,215</b>	<b>1,248,288</b>	<b>1,461,392</b>	<b>213,104</b>
Less: Treasurer's commission		21,532	(21,532)		23,329	(23,329)
<b>NET RECEIPTS</b>	<b>1,620,351</b>	<b>1,956,034</b>	<b>335,683</b>	<b>1,248,288</b>	<b>1,438,063</b>	<b>189,775</b>
DISBURSEMENTS						
Current:						
General government	907,056	836,211	70,845			
Law enforcement	512,550	513,969	(1,419)			
Highways and streets				1,485,900	1,341,394	144,506
Public safety	88,350	82,053	6,297			
Health	36,820	34,203	2,617			
Recreation and culture	76,571	71,405	5,166			
Social services	24,289	19,663	4,626			
Total Current	1,645,636	1,557,504	88,132	1,485,900	1,341,394	144,506
Debt service:						
Principal reduction on note payable		11,551	(11,551)		311,121	(311,121)
Interest imputed on note payable		785	(785)		10,049	(10,049)
<b>TOTAL DISBURSEMENTS</b>	<b>1,645,636</b>	<b>1,569,840</b>	<b>75,796</b>	<b>1,485,900</b>	<b>1,662,564</b>	<b>(176,664)</b>

BRADLEY COUNTY, ARKANSAS  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND ROAD FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (25,285)	\$ 386,194	\$ 411,479	\$ (237,612)	\$ (224,501)	\$ 13,111
OTHER FINANCING SOURCES (USES)						
Transfers in		202,048	202,048			
Transfers out		(181,161)	(181,161)			
Proceeds from note payable	3,400	3,400		113,000	113,000	
Contributions to hospital		(420,836)	(420,836)			
TOTAL OTHER FINANCING SOURCES (USES)	3,400	(396,549)	(399,949)	113,000	113,000	
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(21,885)	(10,355)	11,530	(124,612)	(111,501)	13,111
FUND BALANCES - JANUARY 1	140,000	160,312	20,312	390,000	122,092	(267,908)
FUND BALANCES - DECEMBER 31	<u>\$ 118,115</u>	<u>\$ 149,957</u>	<u>\$ 31,842</u>	<u>\$ 265,388</u>	<u>\$ 10,591</u>	<u>\$ (254,797)</u>

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

BRADLEY COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 1: Summary of Significant Accounting Policies**

As discussed further in Note 1(B), these financial statements are presented in accordance with the regulatory basis of presentation as prescribed by Arkansas state law. This regulatory basis of presentation and accounting differs from accounting principles generally accepted in the United States of America.

**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 accounting system is organized and operated on a fund basis. 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. Arkansas Code 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 (receipts), expenditures (disbursements), and changes in fund equity (balances); a comparison of the final adopted budget to the actual expenditures for the general fund and road fund; notes to the financial statements; and a supplemental schedule of capital assets.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

**General Fund** - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund heading as it appears in the financial statements includes the following funds: General, Child Passenger Protection, Reappraisal Expense, 4% Collector's Commission, Sheriff's Drug Control and Sheriff's Drug-Buy.

**Road Fund** - The Road Fund is used to account for the proceeds of specific receipt sources that are legally restricted to disbursements for maintaining and constructing county roads.

**Other Funds in the Aggregate** - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Road Funds. The following types of funds are included in this column as follows:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific receipt sources that are legally restricted to disbursements for specific purposes. The following special revenue funds are reported with other funds in the aggregate: FY 04 Planning Grant, Child Support Collector's Cost, Collector's Automation, 911, CMRS/911, Solid Waste, Mitigation Planning Grant, Juvenile Probation Fees, Treasurer's Automation, County Clerk's Cost Fund, County Library, District Court Cost, Boating Safety, Drug Dog, Recorder's Cost and Sheriff's Communication, Facility and Equipment.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds). The following capital projects funds are reported with other funds in the aggregate: Courthouse Construction Fund and Health Department Grant Fund.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The following debt service funds are reported with other funds in the aggregate: Bradley County Courthouse Improvement.

BRADLEY COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**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 (Collector's Unapportioned, Common School, Law Library, Treasurer's Commission, Warren School District, Hermitage School District and Kingsland School District), Collector (Delinquent Tax Account and Delinquent Solid Waste), Sheriff (Fee Account, Bond and Fine and Circuit Bond), County Clerk (Fee and Trust), Circuit Clerk (Child Support and Trust) and District Court (County, City of Warren, City of Hermitage and Civil/Small Claims).

**C. Basis of Accounting**

The financial statements are presented using a regulatory basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments, payroll taxes withheld, and settlements pending. This regulatory basis differs from accounting principles generally accepted in the United States of America.

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable, interfund receivables, and capital assets) and their related receipts and certain liabilities (such as accounts payable, interfund payables, and long-term debt) and their related disbursements are not recorded in these financial statements.

**D. Assets, Liabilities and Fund Balances**

**Cash and Cash Equivalents**

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

**Liabilities**

For the purpose of financial reporting, liabilities include settlements pending. Settlements pending are considered fines, forfeitures and costs, fees and property taxes that have not been transferred to the appropriate entities.

**Equity Classification**

**Fund Balance**

1. Reserved Fund Balance indicates that portion of fund balance, which has been legally segregated for specific purposes.
2. Designated Fund Balance indicates that portion of fund balance for which the entity has made tentative plans.
3. Undesignated Fund Balance indicates that portion of fund balance which is available for budgeting in future periods.

**E. Property Taxes**

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 10.

BRADLEY COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2005

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**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 disbursements 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 Collector's Automation Fund.

**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/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations the principal and interest on which are fully guaranteed by the United States of America.

**NOTE 4: Legal Debt Limit - Tax Secured Bond Issues**

The County is subject to a constitutional limitation for bonded indebtedness equal to ten percent (10%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2005, the legal debt limit for the County was \$9,800,478. There were no property tax secured bond issues.

**NOTE 5: Reserved Fund Balance**

Reserved fund balance consists of the following:

	December 31, 2005
<u>Road</u>	\$ 10,591
<u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
Child Support	\$ 2,988
Collector's Automation	60,741
911	21,848
CMRS/911	237
Solid Waste	70,763
Mitigation Planning	3,409
Juvenile Probation	13,651
Treasurer's Automation	3,698
County Clerk's Cost	12,933
Library	78,205
Court Cost	3,373

BRADLEY COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 5: Reserved Fund Balance (Continued)**

	December 31, 2005
<u>Other Funds in the Aggregate (Continued)</u>	
Special Revenue Funds: (Continued)	
Boating Safety	\$ 3,777
Drug Dog	33
County Recorder's Cost	68,945
Communication Facility and Equipment	14,148
Total Special Revenue	358,749
Capital Projects:	
Courthouse Construction	7,131
Debt Service:	
Courthouse Improvement	461,811
Total Other Funds in the Aggregate	\$ 827,691

**NOTE 6: Commitments**

Total commitments consist of the following at December 31, 2005:

	December 31, 2005
Long-Term Debt:	
Notes Payable	\$ 388,586
Sales and Use Tax Capital Improvement Bonds	1,330,000
Noncancellable Leases	322,999
TOTAL COMMITMENTS	\$ 2,041,585

Long-Term Debt

Long-Term Debt at December 31, 2005 is comprised of the following:

	December 31, 2005
Note payable with First State Bank of Warren for loan to upgrade the 911 system; fifty-nine (59) installments of \$2,000 and one (1) installment of \$5,547.49. Payments are to be made from the 911 Fund.	\$ 41,402
Note payable with First State Bank of Warren on the purchase of one (1) 1997 Dodge pickup for the County Park; VIN #1B7FL26XXVS130171; one (1) payment of \$3,658.06 on 6/1/06. Payment is to be made from the General Fund.	3,401
Note payable with First State Bank of Warren on the purchase of one (1) 2004 Chevrolet pickup for the Road Department; VIN #2GCEC13T241422466; one (1) payment of \$15,954.06 on 6/24/06. Payment is to be made from the Road Fund.	15,001

BRADLEY COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 6: Commitments (Continued)**

Long-Term Debt (Continued)

	December 31, 2005
Note payable with First State Bank of Warren on the purchase of three (3) 2006 Mack dump trucks; VIN #1M2AG11C16M043483, #1M2AG11C56M043485 and #1M2AG11C36M043484; ten (10) monthly interest payments ranging from \$1,252.95 to \$2,774.39 and one (1) balloon payment of \$298,307.65 due on 12/15/06. Payments are to be made from the Road Fund.	\$ 296,965
Note payable with First State Bank of Warren on the purchase of two (2) International solid waste trucks; Serial #418139 and #79819; one (1) payment of \$33,566.41 on 12/7/06. Payment is to be made from the Solid Waste Fund.	31,817
TOTAL NOTES PAYABLE	388,586
2001 Sales and Use Tax Capital Improvement Bonds Series 2001, due in annual installments of \$125,000 - \$270,000 plus interest through February 1, 2013; interest of 4.25% - 4.90%. Payments are to be made from the Sales and Use Tax Bond Debt Service Fund.	1,330,000
TOTAL LONG-TERM DEBT	\$ 1,718,586

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

Compensated Absences

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

Debt Service Requirements to Maturity

The County is obligated for the following amounts:

Years Ending December 31,	Bonds	Notes	Total
2006	\$ 280,238	\$ 390,411	\$ 670,649
2007	280,735	19,391	300,126
2008	280,601		280,601
2009	279,875		279,875
2010	278,546		278,546
2011 through 2014	299,590		299,590
Total Obligations	1,699,585	409,802	2,109,387
Less Interest	369,585	21,216	390,801
Total Principal	\$ 1,330,000	\$ 388,586	\$ 1,718,586

BRADLEY COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 6: Commitments (Continued)**

Noncancellable Lease

The County entered into a noncancellable lease agreement with Caterpillar Financial Corporation for five (5) motor graders and Tri-State Truck Center for a 2004 Mack roll-off truck. At the end of the lease term, the County will return the leased equipment to the lessor. The County is obligated for the following amounts for the next five years:

<u>Year</u>	<u>Amount</u>
2006	\$ 179,597
2007	85,332
2008	18,000
2009	18,000
2010	22,070
Total	<u>\$ 322,999</u>

Rental expense for 2005 was \$183,540.

**NOTE 7: Joint Venture: Regional Library**

Bradley, Chicot, Desha, Drew and Lincoln Counties entered into an agreement in March 1994 in accordance with Ark. Code Ann. 13-2-401 to establish the Southeast Arkansas Regional Library. The agreement states that the Regional Library Board shall employ a regional director to serve for such time and on such terms as the Board may prescribe, and to be paid from the regional budget. County and branch employees are to be paid from regional funds. The parties agreed that the regional budget shall pay utility and janitorial costs. Each county library shall contribute their respective mill tax funds for the operation of the Regional Library System. Payments shall be made in irregular installments as required by the expenditures of the Regional Library. The County Library paid \$93,500 for operating expenses in 2005. Separate financial statements of the Regional Library are not available.

**NOTE 8: Assignment and Lease of Bradley County Hospital Facilities**

Bradley County Ordinance No. 311, approved on June 11, 1996, authorized the assignment and lease of the Bradley County Hospital to Bradley County Medical Center, an Arkansas nonprofit corporation. The lease agreement stipulates that Bradley County Medical Center shall lease the hospital real estate and equipment for an initial period of 15 years and shall have the option to extend the lease for two successive terms of five years each. Bradley County Medical Center assumes all rights and responsibilities for the operation of the hospital and related ancillary facilities.

**NOTE 9: 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 has not exceeded the insurance coverage for 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.

BRADLEY COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 9: Risk Management (Continued)**

Vehicle Program

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

General Liability Program – The program shall provide legal defense in civil rights suits against the County government of a participating county and pay judgments imposed on County officials and employees and the County government and county-formed boards and commissions. Coverage is limited to \$350,000 per case with an annual aggregate of \$500,000. The County agrees to pay into the program each year a charge of 60 cents per capita. Each county also agrees to pay the first \$2,000 of the aggregate cost for all expenses on each lawsuit.

The County also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the County Aid Fund. There is a \$1,000 deductible per occurrence.

**NOTE 10: 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 6% 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.

BRADLEY COUNTY, ARKANSAS  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)

Schedule 1

	<u>December 31, 2005</u>
Land	\$ 312,225
Buildings	3,739,022
Equipment	<u>2,234,042</u>
Total	<u>\$ 6,285,289</u>