

Chicot County, Arkansas

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

December 31, 2005

LEGISLATIVE JOINT AUDITING COMMITTEE



CHICOT COUNTY, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Independent Auditor's Report
Report on Internal Control Over Financial Reporting, Compliance and Other Matters, and Other Issues

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Combined Balance Sheet – Regulatory Basis	A
Combined Statement of Receipts, Disbursements and Changes in Fund Balances – Regulatory Basis	B
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – General and Road Funds – Regulatory Basis	C
Notes to Financial Statements	

OTHER SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Schedule of Capital Assets (Unaudited)	1

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

Chicot 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 Chicot 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(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 Chicot 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 Chicot Memorial Hospital and Rural Enterprise Business Grant Funds have not been included in the County's regulatory basis financial statements. The regulatory basis as prescribed or permitted by Arkansas Code, requires the Funds to be presented as part of the other funds in the aggregate, thus increasing the column's assets, liabilities, receipts, and disbursements. The amount by which this departure would affect the assets, liabilities, receipts, and disbursements of the column is not reasonably determinable. The County's regulatory basis financial statements also 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, because of the effects on the financial statements of the omissions described in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective regulatory basis financial position of the other funds in the aggregate of Chicot County, Arkansas, as of December 31, 2005, and the respective changes in the regulatory basis financial position for the year then ended on the basis of accounting as described in Note 1(C).

In addition, in our opinion, except for the effects of not disclosing all required information concerning deposit risks, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of the general fund and road fund of Chicot 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 September 27, 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 Chicot 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 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 black ink, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
September 27, 2006
LOCO00905

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING, COMPLIANCE AND OTHER MATTERS, AND OTHER ISSUES

Chicot 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 Chicot County, Arkansas, as of and for the year ended December 31, 2005 and have issued our report thereon dated September 27, 2006. In our report, our opinion on the other funds in the aggregate was adverse because of the effects on the financial statements of not including the hospital fund and rural business enterprise grant, which is material to other funds in the aggregate. Our opinions on the general fund and road fund were qualified because required disclosures were not made concerning deposit risks. 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 following issues are not reportable conditions or material instances of noncompliance, but are issues that are presented to assist in the efficient operation of the County.

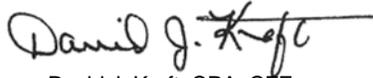
The commentary contained in this section relates to the following officials that held office during 2005:

County Judge: Mack Ball, Sr
Treasurer: Brenda McAffry
Sheriff: Floyd White
Tax Collector: Nell Johnson
County Clerk: Pam Donaldson
Circuit Clerk: Floy Bostick

Our audit procedures indicated that the Offices of **County Judge, Treasurer, Sheriff, Tax Collector, County Clerk and Circuit 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

A handwritten signature in black ink that reads "David J. Kraft". The signature is written in a cursive style with a long horizontal flourish extending to the right.

David J. Kraft, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
September 27, 2006

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

Exhibit A

	General	Road	Other Funds In The Aggregate
ASSETS			
Cash and cash equivalents	\$ 427,525	\$ 740,506	\$ 2,456,511
LIABILITIES AND FUND BALANCES			
Liabilities:			
Settlements pending			\$ 568,472
Fund Balances:			
Reserved		\$ 740,506	1,888,039
Unreserved:			
Undesignated	\$ 427,525		
Total Fund Balances	427,525	740,506	1,888,039
TOTAL LIABILITIES AND FUND BALANCES	\$ 427,525	\$ 740,506	\$ 2,456,511

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

CHICOT 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
RECEIPTS			
State aid	\$ 444,231	\$ 806,673	\$ 44,645
Federal aid	7,445		
Property taxes	607,686	270,433	102,320
Sales taxes	141,758	182,627	965,699
Fines, forfeitures and costs	143,945		
Interest	10,509	9,219	109,792
Officers' fees	38,043		82,223
Sanitation fees			290,953
Park fees			119,510
Rent			99,450
Jail fees	23,747		
911 fees			75,428
Treasurer's commission	92,444		9,244
Collector's commission	155,878		
Taxes apportioned - Assessor's salary and expense	170,443		
Other	51,887	89,446	4,663
	1,888,016	1,358,398	1,903,927
TOTAL RECEIPTS			
Less: Treasurer's commission	41,456	25,371	18,128
	1,846,560	1,333,027	1,885,799
NET RECEIPTS			
DISBURSEMENTS			
Current:			
General government	1,070,000		152,181
Law enforcement	707,782		4,858
Highways and streets		1,172,211	
Public safety	10,048		42,719
Sanitation	35,951		372,612
Health	35,676		5,466,139
Recreation and culture	4,362		233,462
Total Current	1,863,819	1,172,211	6,271,971
Debt service:			
Bond principal			310,000
Bond interest and other charges			358,793
Lease principal	38,153	63,172	73,225
Lease interest	3,509	4,318	5,226
	1,905,481	1,239,701	7,019,215
TOTAL DISBURSEMENTS			
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(58,921)	93,326	(5,133,416)
OTHER FINANCING SOURCES (USES)			
Transfers in	378		984,195
Transfers out	(16,007)		(968,566)
Sale of property			114,700
	(15,629)		130,329
TOTAL OTHER FINANCING SOURCES (USES)			

CHICOT 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	\$ (74,550)	\$ 93,326	\$ (5,003,087)
FUND BALANCES - JANUARY 1	502,075	647,180	6,891,126
FUND BALANCES - DECEMBER 31	\$ 427,525	\$ 740,506	\$ 1,888,039

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

CHICOT 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	\$ 417,127	\$ 444,231	\$ 27,104	\$ 769,658	\$ 806,673	\$ 37,015
Federal aid	631	7,445	6,814			
Property taxes	566,744	607,686	40,942	262,028	270,433	8,405
Sales taxes	122,180	141,758	19,578	183,270	182,627	(643)
Fines, forfeitures and costs	146,620	143,945	(2,675)			
Interest	6,352	10,509	4,157	2,053	9,219	7,166
Officers' fees	44,669	38,043	(6,626)			
Jail fees	27,365	23,747	(3,618)			
Treasurer's commission	85,764	92,444	6,680			
Collector's commission	168,511	155,878	(12,633)			
Taxes apportioned - Assessor's salary and expense	206,547	170,443	(36,104)			
Other	50,627	51,887	1,260	19,149	89,446	70,297
TOTAL RECEIPTS	1,843,137	1,888,016	44,879	1,236,158	1,358,398	122,240
Less: Treasurer's commission		41,456	(41,456)		25,371	(25,371)
NET RECEIPTS	1,843,137	1,846,560	3,423	1,236,158	1,333,027	96,869
DISBURSEMENTS						
Current:						
General government	1,207,131	1,070,000	137,131			
Law enforcement	820,133	707,782	112,351			
Highways and streets				1,331,364	1,172,211	159,153
Public safety	11,450	10,048	1,402			
Sanitation	57,742	35,951	21,791			
Health	45,300	35,676	9,624			
Recreation and culture	8,000	4,362	3,638			
Total Current	2,149,756	1,863,819	285,937	1,331,364	1,172,211	159,153

CHICOT 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)
DISBURSEMENTS (CONTINUED)						
Debt service:						
Lease principal		\$ 38,153	\$ (38,153)		\$ 63,172	\$ (63,172)
Lease interest		3,509	(3,509)		4,318	(4,318)
TOTAL DISBURSEMENTS	<u>\$ 2,149,756</u>	<u>1,905,481</u>	<u>244,275</u>	<u>\$ 1,331,364</u>	<u>1,239,701</u>	<u>91,663</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(306,619)</u>	<u>(58,921)</u>	<u>247,698</u>	<u>(95,206)</u>	<u>93,326</u>	<u>188,532</u>
OTHER FINANCING SOURCES (USES)						
Transfers in		378	378			
Transfers out	<u>15,639</u>	<u>(16,007)</u>	<u>(31,646)</u>			
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,639</u>	<u>(15,629)</u>	<u>(31,268)</u>			
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	<u>(290,980)</u>	<u>(74,550)</u>	<u>216,430</u>	<u>(95,206)</u>	<u>93,326</u>	<u>188,532</u>
FUND BALANCES - JANUARY 1	<u>556,944</u>	<u>502,075</u>	<u>(54,869)</u>	<u>275,000</u>	<u>647,180</u>	<u>372,180</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 265,964</u></u>	<u><u>\$ 427,525</u></u>	<u><u>\$ 161,561</u></u>	<u><u>\$ 179,794</u></u>	<u><u>\$ 740,506</u></u>	<u><u>\$ 560,712</u></u>

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

CHICOT 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. The following funds of the County are not presented in this report: Chicot Memorial Hospital and Rural Business Enterprise Grant.

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: County General, LA-LLEBG, Collector, Permit, Assessor, Drug Eradication, Investments, Municipal Court Retirement and Reappraisal.

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: County Library, Solid Waste, County Park, Sheriff's Communication, Child Support, County Building, Boating Safety, 911, Recycling, Recorder's Cost, Treasurer's Automation, County Clerk's Cost, Juvenile Probation, Court Automation, Ross Van Ness Community Grant and Mitigation Grant.

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. The following capital projects funds are reported with other funds in the aggregate: Construction.

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: Bond, Reserve, Redemption and Chicot County Arkansas Sales and Use Tax Bond SR 2003.

CHICOT 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: Other Treasurer's Funds (Hospital Maintenance, Common School, Interest Clearing and Improvement), Tax Collector (Current and Delinquent Taxes), County Clerk (Fee Account), Circuit Clerk (Fee, Appeal and Trust Accounts) and County Sheriff (Fee and Municipal Bond and Fine Accounts).

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 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 and savings accounts and certificates of deposit.

Liabilities

For the purpose of financial reporting, liabilities include settlements pending. Settlements pending are considered fines, forfeitures, costs 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. 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.

CHICOT 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.

NOTE 2: Cash

Deposit risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk has not been provided as required by Governmental Accounting Standards Board Statement No. 40.

NOTE 3: Legal or Contractual Provisions for Deposits

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 \$10,859,858. There were no property tax secured bond issues.

NOTE 5: Contingent Liability

Chicot County received a grant from the Economic Development of Arkansas Fund Commission to provide engineering services, site development and infrastructure improvements to set the stage for a new state of the art catfish processing facility to be located in the County's industrial park. On August 27, 2002, the County remitted \$971,480 plus \$25,955 in accrued interest for a total of \$997,435 to the Farm Fresh Catfish Company. The law firm of Friday, Eldredge & Clark, on behalf of Farm Fresh Catfish Company and Arkansas Catfish Growers, LLC, stated in an August 14, 2003 letter that, "Based on the available information, the report should proceed as if none of the funds were expended on the new site". Based upon the letter received from Friday, Eldredge & Clark, it appears the total proceeds (\$997,435) were not expended in accordance with the grant guidelines. There have not been any changes in the status of this grant or any revisions in the grant guidelines as of September 27, 2006.

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

NOTE 6: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2005
<u>Road</u>	\$ 740,506
<u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
Library	\$ 67,823
Solid Waste	39,542
Park	33,677
Sheriff's Communication	8,827
Child Support	3,699
County Building	188,840
Boating Safety	4,899
911	168,607
Recycling	4,308
Recorder's Cost	25,566
Treasurer's Automation	16,453
County Clerk's Cost	48,032
Juvenile Probation	12,898
Court Automation	661
Mitigation Grant	3,333
Total Special Revenue	627,165
Capital Projects:	
Construction	46,388
Debt Service:	
Bond	361,677
Reserve	672,498
Redemption	180,311
Total Debt Service	1,214,486
Total Other Funds in the Aggregate	\$ 1,888,039

NOTE 7: Commitments

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

	December 31, 2005
Long-Term Debt:	
Sales and Use Tax Bonds	\$ 9,490,000
Lease-Purchases	143,561
Construction Contracts	1,132,570
Total Commitments	\$ 10,766,131

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

NOTE 7: Commitments (Continued)

Long-Term Debt

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

	December 31, 2005
Lease-purchase agreement with Delta Trust on the purchase of various pieces of road equipment, monthly installments of \$2,319.64 for sixty (60) months. Payments are to be made from the Road Fund.	\$ 46,875
Installment contract with GMAC on the purchase of a Chevrolet pickup, monthly installments of \$674.68 for forty-eight (48) months. Payments are to be made from the Road Fund.	9,993
Lease-purchase agreement with Ford Motor Credit Company on the purchase of three (3) police sedans and a Ford pickup, yearly installments of \$37,232.09 for three (3) years. Payments are to be made from the General Fund.	35,476
Lease-purchase agreement with First Service Bank on the purchase of a heating and cooling system, monthly payments of \$2,381.41 for thirty-five (35) months and a final payment unpaid principal and interest. Payments are to be made from the County Building Fund.	51,217
\$9,800,000 - Chicot County Arkansas Sales and Use Tax Bonds, Series 2003. Payments for the next twenty-two (22) years are to be made from the Debt Service Fund funded by Sales Tax Revenue. Yearly payments and interest rates vary.	<u>9,490,000</u>
Total Long-Term Debt	<u><u>\$ 9,633,561</u></u>

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

Compensated Absences

Compensated absences do not vest or accumulate.

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

NOTE 7: Commitments (Continued)

Debt Service Requirements to Maturity

The County is obligated for the following amounts:

<u>Years Ending December 31,</u>	<u>Bonds</u>	<u>Leases</u>	<u>Total</u>
2006	\$ 652,443	\$ 121,886	\$ 774,329
2007	652,693	26,030	678,723
2008	652,643		652,643
2009	652,292		652,292
2010	656,492		656,492
2011 through 2015	3,270,297		3,270,297
2016 through 2020	3,251,805		3,251,805
2021 through 2025	2,096,175		2,096,175
2026 through 2030	1,937,190		1,937,190
Total Obligations	13,822,030	147,916	13,969,946
Less Interest	4,332,030	4,355	4,336,385
Total Principal	<u>\$ 9,490,000</u>	<u>\$ 143,561</u>	<u>\$ 9,633,561</u>

Construction Contracts

The Hospital Board entered into contract(s) for the construction of an addition to the hospital in the amount of \$10,462,992. The Capital Project Fund is being used to fund a majority of this project.

The County was contractually obligated for the following construction contracts at December 31, 2005:

<u>Project Name</u>	<u>Estimated Completion Date</u>	<u>Contract Balance</u>
Chicot Memorial Hospital	November 30, 2006	<u>\$ 1,132,570</u>

NOTE 8: Revenue Bond Issues

The following revenue bonds were issued for securing and developing industry within Chicot County. The bonds are being retired by a lease-rental plan with the following corporations:

<u>Corporation</u>	<u>Ordinance Authorizing Issuance</u>	<u>Date of Issuance</u>	<u>Original Amount of Bonds Issued</u>	<u>Bonds Outstanding as of December 31, 2005</u>
Chicot Memorial Hospital	2005-05	9/2/2005	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>

The bonds are special obligation bonds of the County and do not constitute an indebtedness of the County within any Constitutional or statutory limitation, but are payable solely from lease-rentals of certain properties, and are secured by a statutory mortgage lien on the same.

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

NOTE 9: Joint Venture: Regional Library

Bradley, Chicot, Desha, Drew and Lincoln Counties entered into an agreement on March 23, 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 library employees are to be recommended by county library boards and to be employed with the approval of the Regional Board, their salaries 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 \$118,900 for expenditures in 2005. Separate financial statements of the Southeast Arkansas Regional Library are not available.

NOTE 10: 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.

The County participates in the Arkansas Public Entities Risk Management Association (APERMA) public entity risk pool for coverage in the following areas:

Building and Contents Program – This program is a blanket policy with coverage up to \$100,000,000 for any one loss with a \$500 deductible. The County shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered County property.

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 for in-state claims is \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident and \$25,000 for property damage per accident (\$100,000 respectively for out-of-state claims). 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 and mobile equipment which are the property of the participating county. Property is valued at the cost to repair or replace the property after deduction for depreciation. Loss amounts will be reduced by the deductible amount of \$1,000 for Sheriff's Department vehicles and \$500 for all other covered vehicles and mobile equipment. 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 \$250,000 per case with an annual aggregate of \$350,000. The County shall pay into the program each year a charge established annually by the Risk Management Fund Board for this coverage.

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

NOTE 10: 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 \$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 11: 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.

CHICOT 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	\$ 1,357,649
Buildings	2,705,005
Equipment	<u>2,289,518</u>
Total	<u><u>\$ 6,352,172</u></u>