

**Cleburne County, Arkansas**

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

**December 31, 2005**

LEGISLATIVE JOINT AUDITING COMMITTEE

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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

Cleburne 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 Cleburne 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 Cleburne County, Arkansas, as of December 31, 2005, or the changes in financial position 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 Cleburne 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 January 17, 2007 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 Cleburne 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



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

Little Rock, Arkansas  
January 17, 2007  
LOCO01205

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

Cleburne 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 Cleburne County, Arkansas, as of and for the year ended December 31, 2005 and have issued our report thereon dated January 17, 2007. 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.

1. 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.

2. Former County Sheriff Dudley Lemon and Jail Administrator Jack Allen negotiated a contract, which the County Judge signed, with CTC Tele Coin Company, Inc. (CTC) to provide inmate telephone service in exchange for monthly commission fees. Under the contract terms, CTC provided a signing bonus, valued at \$20,000, in the form of inmate prepaid calling cards. However, these cards had an activation date of August 5, 2005 and expired the next day, August 6, 2005. The County received no other compensation from CTC for the expired calling cards and the contract ends on May 15, 2007.

We recommend the County obtain legal counsel to determine remedies available relating to CTC's breach of the contract signing bonus clause.

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

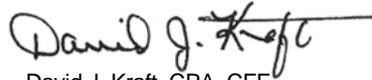
The commentary contained in this section relates to the following officials that held office during 2005:

County Judge: Claude Dill  
Treasurer: Lavelle McGary  
Sheriff: Dudley Lemon  
Tax Collector: Kathy White  
County Clerk: Dana Guffey  
Circuit Clerk: Karen Giles

Our audit procedures indicated that the above offices 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  
January 17, 2007

CLEBURNE 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	\$ 1,215,221	\$ 616,739	\$ 1,745,638
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Settlements pending			\$ 509,080
Fund Balances:			
Reserved		\$ 616,739	1,236,558
Unreserved:			
Undesignated	\$ 1,215,221		
Total Fund Balances	1,215,221	616,739	1,236,558
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,215,221</b>	<b>\$ 616,739</b>	<b>\$ 1,745,638</b>

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

CLEBURNE 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	\$ 651,036	\$ 1,066,260	\$ 58,099
Federal aid	197,086	47,124	
Property taxes	740,723	376,478	241,137
Sales taxes	674,722	944,612	2,030,351
Fines, forfeitures and costs	412,194		39,528
Interest	14,953	8,528	20,708
Officers' fees	256,420		71,872
Jail fees	55,410		
Sanitation fees	130,873		
E-911 fees			137,308
Treasurer's commission	107,000		
Collector's commission	144,595		30,000
Taxes apportioned - Assessor's salary and expense	274,286		
Other	301,205	218,477	53,343
	3,960,503	2,661,479	2,682,346
TOTAL RECEIPTS			
Less: Treasurer's commission	36,958	28,032	27,129
	3,923,545	2,633,447	2,655,217
NET RECEIPTS			
DISBURSEMENTS			
Current:			
General government	1,283,855		73,595
Law enforcement	1,953,407		1,618,941
Highways and streets		3,081,668	
Public safety	219,718		216,099
Sanitation	59,479		
Health	58,180		
Recreation and culture	5,000		299,623
Social services	165,330		
Education			1,295,360
Total Current	3,744,969	3,081,668	3,503,618
Debt Service:			
Note principal			389,805
Note interest and other charges			29,521
	3,744,969	3,081,668	3,922,944
TOTAL DISBURSEMENTS			
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	178,576	(448,221)	(1,267,727)
OTHER FINANCING SOURCES (USES)			
Transfers in	8,138	20,275	
Transfers out	(20,275)		(8,138)
Note proceeds			1,300,000
	(12,137)	20,275	1,291,862
TOTAL OTHER FINANCING SOURCES (USES)			

CLEBURNE 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	\$ 166,439	\$ (427,946)	\$ 24,135
FUND BALANCES - JANUARY 1	1,048,782	1,044,685	1,212,423
FUND BALANCES - DECEMBER 31	\$ 1,215,221	\$ 616,739	\$ 1,236,558

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

CLEBURNE 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	\$ 320,800	\$ 651,036	\$ 330,236	\$ 1,010,000	\$ 1,066,260	\$ 56,260
Federal aid	338,911	197,086	(141,825)	36,000	47,124	11,124
Property taxes	792,000	740,723	(51,277)	434,500	376,478	(58,022)
Sales taxes	575,000	674,722	99,722	825,000	944,612	119,612
Fines, forfeitures and costs	362,000	412,194	50,194			
Interest	8,000	14,953	6,953	13,000	8,528	(4,472)
Officers' fees	218,000	256,420	38,420			
Jail fees		55,410	55,410			
Sanitation fees		130,873	130,873			
Treasurer's commission	90,000	107,000	17,000			
Collector's commission	179,000	144,595	(34,405)			
Taxes apportioned - Assessor's salary and expense	469,000	274,286	(194,714)			
Other	488,086	301,205	(186,881)	234,200	218,477	(15,723)
<b>TOTAL RECEIPTS</b>	<b>3,840,797</b>	<b>3,960,503</b>	<b>119,706</b>	<b>2,552,700</b>	<b>2,661,479</b>	<b>108,779</b>
Less: Treasurer's commission		36,958	(36,958)		28,032	(28,032)
<b>NET RECEIPTS</b>	<b>3,840,797</b>	<b>3,923,545</b>	<b>82,748</b>	<b>2,552,700</b>	<b>2,633,447</b>	<b>80,747</b>
DISBURSEMENTS						
Current:						
General government	1,335,475	1,283,855	51,620			
Law enforcement	2,275,029	1,953,407	321,622			
Highways and streets				3,204,412	3,081,668	122,744
Public safety	357,308	219,718	137,590			
Sanitation	62,840	59,479	3,361			
Health	57,979	58,180	(201)			
Recreation and culture	26,827	5,000	21,827			
Social services	139,491	165,330	(25,839)			
<b>TOTAL DISBURSEMENTS</b>	<b>4,254,949</b>	<b>3,744,969</b>	<b>509,980</b>	<b>3,204,412</b>	<b>3,081,668</b>	<b>122,744</b>

CLEBURNE 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	\$ (414,152)	\$ 178,576	\$ 592,728	\$ (651,712)	\$ (448,221)	\$ 203,491
OTHER FINANCING SOURCES (USES)						
Transfers in		8,138	8,138		20,275	20,275
Transfers out	5,000	(20,275)	(25,275)			
TOTAL OTHER FINANCING SOURCES (USES)	5,000	(12,137)	(17,137)		20,275	20,275
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(409,152)	166,439	575,591	(651,712)	(427,946)	223,766
FUND BALANCES - JANUARY 1	900,000	1,048,782	148,782	1,100,000	1,044,685	(55,315)
FUND BALANCES - DECEMBER 31	\$ 490,848	\$ 1,215,221	\$ 724,373	\$ 448,288	\$ 616,739	\$ 168,451

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

CLEBURNE 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.

**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: Law Investigation/Drug Control, County Clerk's Cost, District Court Automation, Collector's Automation, Jail Maintenance, E-911, Cell Phone, County Library, Indigent Defense, Boating and Safety, Child Support, Sheriff's Communication, Juvenile Probation, Recorder's Cost, College Sales Tax and Fire Department Sales Tax.

**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 fund is reported with other funds in the aggregate: Jail Construction.

**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 (School and Fire Districts, Law Library and Delinquent Land Sales), Collector (Delinquent Personal, Real Estate and Improvement Taxes), Sheriff (Fee Account, Bond and Fines, Commissary and Circuit Bond and Fines), County Clerk (Fee) and Circuit Clerk (Fee and Child Support).

**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.

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

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

**C. Basis of Accounting (Continued)**

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 and certificates of deposit with an original maturity of three months or less.

Liabilities

For the purpose of financial reporting, liabilities include settlements pending. Settlements pending are considered fines, forfeitures, costs, fees, taxes and excess commissions 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.

**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 have not been provided as required by Governmental Accounting Standards Board Statement No. 40.

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

**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 \$31,927,135. 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>	\$ 616,739
<u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
Drug Control	\$ 19,645
County Clerk's Cost	12,877
District Court Automation	44,117
Collector's Automation	40,047
Jail Maintenance	265,190
E-911	26,330
Cell Phone	17,060
County Library	389,099
Indigent Defense	45
Emergency Rescue	26,376
Child Support	12,677
Sheriff's Communication	33,614
Juvenile Probation	7,058
Recorder's Cost	60,096
College Sales Tax	12,378
County Librarian	201,427
Total Special Revenue	1,168,036
Capital Projects:	
Jail Construction	68,522
Total Other Funds in the Aggregate	\$ 1,236,558

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

**NOTE 6: Commitments**

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

	December 31, 2005
Long-term debt	\$ 910,195
Noncancellable leases	14,014
Construction contracts	111,576
Total Commitments	\$ 1,035,785

Long-Term Debt

Long-term debt at December 31, 2005 is comprised of the following:

	December 31, 2005
A note payable commencing May 1, 2005 with an interest rate of 3.49% and monthly payments of \$39,350 each thereafter until the final payment in December 2007. Payments will be made from the Jail Construction Fund.	\$ 910,195

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,	Notes
2006	\$ 472,200
2007	472,200
Total Obligations	944,400
Less Interest	34,205
Total Principal	\$ 910,195

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

**NOTE 6: Commitments (Continued)**

Noncancellable Lease

The County entered into a noncancellable lease agreement for two copiers on March 23, 2003. Terms of the lease are monthly rental payments of \$539 for sixty (60) months. The County is obligated for the following amounts for the next three years:

<u>Year</u>	<u>Amount</u>
2006	\$ 6,468
2007	6,468
2008	<u>1,078</u>
Total	<u>\$ 14,014</u>

Rental expense for December 31, 2005 was \$6,468.

Construction Contracts

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>
County Detention Center	January 4, 2006	<u>\$ 111,576</u>

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

Cleburne, Fulton, Independence, Izard, Sharp and Stone Counties entered into an agreement in February 1978 in accordance with Ark. Code Ann. 13-2-401 to establish the White River Regional Library. The agreement states that the Regional Library Board shall employ a regional librarian approved by the Arkansas Library Commission to serve for such time and on such terms as the Board may prescribe and to be paid from the regional budget with each county contributing a fair share of the expenses. County and branch personnel shall be recommended by the County Library Board and shall be employed only after approval of the regional librarian and the Arkansas Library Commission with such salaries to be paid from county funds. Separate financial statements of the White River Regional Library are not available.

**NOTE 8: 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.

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

**NOTE 8: 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 \$350,000. 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 9: 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.

CLEBURNE 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	\$ 583,970
Buildings	2,263,225
Construction in progress	1,767,734
Equipment	<u>4,639,869</u>
Total	<u>\$ 9,254,798</u>