

Columbia County, Arkansas

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

December 31, 2005

LEGISLATIVE JOINT AUDITING COMMITTEE



COLUMBIA COUNTY, ARKANSAS
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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

Columbia 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 Columbia 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 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 Columbia 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 Rural Development Authority Fund has not been included in the County's regulatory basis financial statements. The regulatory basis as prescribed or permitted by Arkansas Code requires the Rural Development Authority Fund 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 and investment 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 Columbia 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 Columbia 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 7, 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 Columbia 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



Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
September 7, 2006
LOCO1405

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
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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

Columbia 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 Columbia County, Arkansas, as of and for the year ended December 31, 2005, and have issued our report thereon dated September 7, 2006. In our report, our opinions on the general fund and road fund were qualified because required disclosures were not made concerning deposit risks. Our opinion on the other funds in the aggregate was adverse because of the effects on the financial statements of not including all financial information of the reporting entity in the financial statements and required disclosures were not made concerning deposit and investment 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, except County Judge, 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, except County Judge, as specified in the Other Issues section of this report, responded and indicated 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 who held office during 2005:

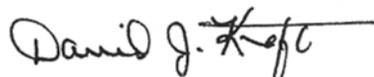
County Judge: John Blair
Treasurer: Marion Barnard
Sheriff: Calvin L. Knighton
Tax Collector: Cindy Walker
County Clerk: Sherry L. Bell
Circuit Clerk: Janice Linkous

Our audit procedures indicated the Offices of **County Judge, Treasurer, Sheriff, County Clerk** and **Circuit Clerk** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law was noted in the Office of **Tax Collector** and is reported below:

Public funds can only be deposited with financial institutions that when imaging bank documents agrees to comply with Ark. Code Ann. 19-2-501, et seq. Ark. Code Ann. 19-2-506 states in part, "the financial institution may provide public entities cancelled check images in the media type and quality approved by the Division of Legislative Audit...". Farmer's Bank obtained approval to image bank documents for the **County Tax Collector** accounts as stated in the letter dated June 25, 2001 and amended on September 29, 2003; however, the images provided are not in accordance with this authorization.

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
September 7, 2006

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

Exhibit A

	General	Road	Other Funds In The Aggregate
ASSETS			
Cash and cash equivalents	\$ 2,266,594	\$ 1,242,335	\$ 5,085,031
Investments			562,759
TOTAL ASSETS	\$ 2,266,594	\$ 1,242,335	\$ 5,647,790
LIABILITIES AND FUND BALANCES			
Liabilities:			
Settlements pending	\$ 120,101		\$ 437,068
Fund Balances:			
Reserved		\$ 1,242,335	5,210,722
Unreserved:			
Designated - law enforcement	3,252		
Undesignated	2,143,241		
Total Fund Balances	2,146,493	1,242,335	5,210,722
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,266,594	\$ 1,242,335	\$ 5,647,790

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

COLUMBIA 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	\$ 599,793	\$ 1,605,109	\$ 88,323
Federal aid	159,205	331	23,012
Property taxes	877,739	486,553	211,242
Sales taxes	181,812		3,598,299
Fines, forfeitures and costs	321,634		58,723
Interest	45,091	28,329	127,205
Officers' fees	147,021		52,208
Jail fees			70,879
911 surcharge			129,150
Treasurer's commission	78,826		
Collector's commission	209,984		
Taxes apportioned - Assessor's salary and expense	197,979		
Other	122,349	11,531	127,760
	2,941,433	2,131,853	4,486,801
TOTAL RECEIPTS			
Less: Treasurer's commission	20,423	17,973	29,858
	2,921,010	2,113,880	4,456,943
NET RECEIPTS			
DISBURSEMENTS			
Current:			
General government	1,253,273		118,225
Law enforcement	883,054		968,879
Highways and streets		1,762,036	
Public safety	197,897		214,480
Sanitation			2,054,904
Health	26,609		
Recreation and culture			422,245
Social services	40,346		
Contribution to RDA	73,987		
Total Current	2,475,166	1,762,036	3,778,733
Debt service:			
Bond principal			560,000
Bond interest and other charges			50,278
Lease principal	523		
Lease interest	9		
Note principal		34,034	
Note interest		3,748	
	2,475,698	1,799,818	4,389,011
TOTAL DISBURSEMENTS			
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	445,312	314,062	67,932
OTHER FINANCING SOURCES (USES)			
Transfers in	6,019		82,207
Transfers out	(82,207)		(6,019)
TOTAL OTHER FINANCING SOURCES (USES)	(76,188)		76,188

COLUMBIA 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	\$ 369,124	\$ 314,062	\$ 144,120
FUND BALANCES - JANUARY 1	1,777,369	928,273	5,066,602
FUND BALANCES - DECEMBER 31	\$ 2,146,493	\$ 1,242,335	\$ 5,210,722

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

COLUMBIA 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	\$ 440,505	\$ 599,793	\$ 159,288	\$ 1,355,121	\$ 1,605,109	\$ 249,988
Federal aid	159,640	159,205	(435)	150	331	181
Property taxes	1,234,500	877,739	(356,761)	460,500	486,553	26,053
Sales taxes	174,000	181,812	7,812			
Fines, forfeitures and costs	321,650	321,634	(16)			
Interest	29,600	45,091	15,491	23,500	28,329	4,829
Officers' fees	145,600	147,021	1,421			
Treasurer's commission	62,000	78,826	16,826			
Collector's commission		209,984	209,984			
Taxes apportioned - Assessor's salary and expense		197,979	197,979			
Other	123,894	122,349	(1,545)	14,750	11,531	(3,219)
TOTAL RECEIPTS	2,691,389	2,941,433	250,044	1,854,021	2,131,853	277,832
Less: Treasurer's commission		20,423	(20,423)		17,973	(17,973)
NET RECEIPTS	2,691,389	2,921,010	229,621	1,854,021	2,113,880	259,859
DISBURSEMENTS						
Current:						
General government	1,365,640	1,253,273	112,367			
Law enforcement	907,145	883,054	24,091			
Highways and streets				2,077,789	1,762,036	315,753
Public safety	200,650	197,897	2,753			
Health	30,850	26,609	4,241			
Social services	40,347	40,346	1			
Contribution to RDA	75,000	73,987	1,013			
Total Current	2,619,632	2,475,166	144,466	2,077,789	1,762,036	315,753

COLUMBIA 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		\$ 523	\$ (523)			
Lease interest		9	(9)			
Note principal				\$ 34,034		\$ (34,034)
Note interest				3,748		(3,748)
TOTAL DISBURSEMENTS	<u>\$ 2,619,632</u>	<u>2,475,698</u>	<u>143,934</u>	<u>\$ 2,077,789</u>	<u>1,799,818</u>	<u>277,971</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>71,757</u>	<u>445,312</u>	<u>373,555</u>	<u>(223,768)</u>	<u>314,062</u>	<u>537,830</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	5,175	6,019	844			
Transfers out		(82,207)	(82,207)			
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,175</u>	<u>(76,188)</u>	<u>(81,363)</u>			
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	76,932	369,124	292,192	(223,768)	314,062	537,830
FUND BALANCES - JANUARY 1	<u>170,750</u>	<u>1,777,369</u>	<u>1,606,619</u>	<u>460,000</u>	<u>928,273</u>	<u>468,273</u>
FUND BALANCES - DECEMBER 31	<u>\$ 247,682</u>	<u>\$ 2,146,493</u>	<u>\$ 1,898,811</u>	<u>\$ 236,232</u>	<u>\$ 1,242,335</u>	<u>\$ 1,006,103</u>

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

COLUMBIA 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 Rural Development Authority Fund of the County is not presented in this report.

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 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 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 Fund, Sheriff's Drug-Buy Fund and Sheriff's Drug Control Fund.

Road Fund - The Road Fund is used to account for the proceeds of specific receipt sources 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 legally restricted to disbursements for specific purposes. The following special revenue funds are reported with other funds in the aggregate: Solid Waste, Drug Control, Child Support, Indigent Criminal Defense, Victims of Crime, Juvenile Probation, 911 Emergency, Sheriff's Communication Facility and Equipment, Emergency Rescue, Public Defender Investigator, County Recorder's Cost, Treasurer's Automation, Jail Operating, Rural Community Aid Sales Tax, County Clerk's Cost, Court Automation, District Court Automation, County Collector's Automation, Act 988, Adult Drug Court and Library.

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 fund is reported with other funds in the aggregate: Jail Debt Service.

Agency Funds - Agency Funds are used to account for assets held by the entity as an agent for individuals, private organizations, other governmental units, and other funds. The following agency funds are reported with other funds in the aggregate: Treasurer's Timber Tax, Property Tax Relief, Game and Fish, Administration of Justice, DNA Detection, City Accounts, Fire District Accounts and School Accounts; Collector's Current Tax, Delinquent Real, Delinquent Personal and Credit Card Accounts; Sheriff's Fee, Bond and Fine, Probation and Commissary Accounts; County Clerk's Fee and Trust Accounts; and Circuit Clerk's Fee, Trust and Adult Drug Court Accounts.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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 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 and savings accounts and certificates of deposit.

Investments

Investments are reported at cost.

Liabilities

For the purpose of financial reporting, liabilities include settlements pending. Settlements pending are considered fines, forfeitures, costs, excess commissions, property taxes, officers' fees, inmate funds, school district funds and funds held in trust 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 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.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budget Law (Continued)

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 Juvenile Probation and Drug Control Funds.

NOTE 2: Cash and Investments

Deposit and investment 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 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: Public Fund Investments

A summary of investments by fund types is as follows:

	December 31, 2005	
Special Revenue - Library	Reported Amount	Fair Value
Fiduciary:		
Trust	\$ 562,759	\$ 563,967

These investments are composed of the following:

	December 31, 2005	
	Reported Amount	Fair Value
Fixed income securities	\$ 429,907	\$ 419,709
Common stock	1,127	32,298
Mutual funds	131,725	111,960
Totals	\$ 562,759	\$ 563,967

NOTE 5: 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 \$26,007,787. There were no property tax secured bond issues.

COLUMBIA 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>	<u>\$ 1,242,335</u>
<u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
Solid Waste	\$ 1,768,129
Drug Control	30,978
Child Support	524
Victims of Crime	222
Juvenile Probation	6,387
911 Emergency	40,387
Sheriff's Communication Facility and Equipment	10,499
Emergency Rescue	24,097
Public Defender Investigator	5,450
County Recorder's Cost	14,588
Treasurer's Automation	21,088
Jail Operating	787,143
Rural Community Aid Sales Tax	7,983
County Clerk's Cost	1,760
Court Automation	3,717
District Court Automation	12,202
County Collector's Automation	86,834
Act 988	19,982
Adult Drug Court	12,597
Library	<u>1,581,729</u>
Total Special Revenue	4,436,296
Debt Service Fund:	
Jail Debt Service	<u>774,426</u>
Total Other Funds in the Aggregate	<u>\$ 5,210,722</u>

NOTE 7: Commitments

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

	December 31, 2005
Long-Term Debt	\$ 1,140,188
Wood Waste Processing Contract	<u>1,650,000</u>
Total Commitments	<u>\$ 2,790,188</u>

COLUMBIA 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
<u>Notes Payable</u>	
Note payable with BancorpSouth Bank for the purchase of a Gradall XL3100; monthly installments of \$3,148 for 60 months. Payments are to be made from the Road Fund.	\$ 81,425
Note payable with BancorpSouth Bank for the purchase of a computer imaging system; annual installments of \$13,676 for two (2) years. Payments are to be made from the County Recorder's Cost Fund.	25,718
Total Notes Payable	107,143
<u>Landfill Closure and Postclosure</u>	
Estimated Liability for landfill closure and postclosure care costs.	188,045
<u>Bonded Indebtedness</u>	
1999 Sales and Use Tax Capital Improvement Bonds Series 1999 - County Jail; annual installments of \$420,000 - \$425,000 plus interest through March 1, 2007; interest at 4.05% - 4.15%. Payments are to be made from the Jail Debt Service Fund.	845,000
Total Long-Term Debt	\$ 1,140,188

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.

Debt Service Requirements to Maturity

The County is obligated for the following amounts:

Years Ending December 31,	Bonds	Notes	Total
2006	\$ 451,036	\$ 51,457	\$ 502,493
2007	428,715	51,457	480,172
2008		9,474	9,474
Total Obligations	879,751	112,388	992,139
Less Interest	34,751	5,245	39,996
Total Principal	\$ 845,000	\$ 107,143	\$ 952,143

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

NOTE 7: Commitments (Continued)

Wood Waste Processing Contract

The County entered into a ten-year non-escalating contract with Crochet Equipment Company, Inc., to design, manufacture, own, operate, permit and maintain a Model CEC 4030 wood waste combustor at Columbia County's landfill. The County is obligated for monthly payments of \$13,750 for a total of \$1,650,000. The wood waste combustor was not put into service until June 2006; therefore, there were no payments on the contract for 2005.

NOTE 8: Revenue Bond Issues

The following revenue bonds were issued for securing and developing industry within Columbia 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>
Albemarle Corporation Project - Series 1999: Industrial Development Revenue Bonds	CC-99-5	3/10/1999	\$ 70,000,000	\$ 70,000,000
Albemarle Corporation Project - Series 1999: Solid Waste Disposal Revenue Bonds	CC-99-4	3/10/1999	<u>11,000,000</u>	<u>11,000,000</u>
Totals			<u>\$ 81,000,000</u>	<u>\$ 81,000,000</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.

NOTE 9: Subsequent Events

On, May 1, 2006, the County redeemed all remaining outstanding 1999 Sales and Use Tax Capital Improvement Bonds Series 1999 – County Jail.

NOTE 10: Related Party Transactions

Columbia County paid Southwest Arkansas Regional Solid Waste Management District (SWARSWMD) \$11,304 during this audit year. SWARSWMD is a jointly governed organization comprised of representatives from Calhoun, Columbia, Dallas, Miller, Ouachita and Union Counties and participating cities within the aforementioned counties. Representatives are appointed by the respective participating entities.

NOTE 11: 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.

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

NOTE 11: Risk Management (Continued)

The County participates in the Association of Arkansas Counties Program (public entity risk pools) for coverage in the following areas:

Workers' Compensation - This program provides statutory benefits for losses incurred by County officials, employees and volunteer fire fighters while performing work for the County. Rates for counties participating in this program are revised annually based on the cost experience of the particular county or group as determined by the Workers' Compensation Commission.

Vehicle Program –

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

General Liability Program - The program shall provide legal defense in civil rights suits against the County government of a participating county and pay judgments imposed on County officials and employees and the County government and county-formed boards and commissions. Coverage is limited to \$350,000 per case with an annual aggregate of \$350,000. The County agrees to pay into the program each year a 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 12: 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.

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

NOTE 13: Landfill Closure and Postclosure Care Costs

Columbia County is the owner of permit number 0080-54 to operate a Class IV solid waste landfill. State and federal regulations require a final cover to be placed on the landfill site when it stops accepting waste and the performance of certain maintenance and monitoring functions at the site for two (2) years after closure. Arkansas Department of Environmental Quality Regulation Number 22 requires the County, as owner of the permit, to file a closure/postclosure plan complete with costs estimates with the Department. The County filed this plan on October 31, 1996.

Closure and postclosure care costs will be incurred near or after the date the landfill stops accepting waste. The estimated liability for the landfill closure and postclosure care costs has a balance of \$188,045. This balance is based on the engineers report as of November 15, 2005. The County has begun reopening old trenches and recompacting the waste in those trenches as well as compacting waste in open trenches. This practice prevents an accurate estimate of current year cost; therefore, the liability balance at balance sheet date was determined using the most current engineer's report. The County has applied for a permit extension and expansion of the landfill. The new permit has not been approved as of the date of this audit.

Estimated costs are based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of December 31, 2005. However, the actual cost of closure and postclosure may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The County has provided financial assurance of \$199,232 in the form of a Contract of Obligation dated May 7, 1997. This Contract of Obligation authorizes the State Treasurer to withhold from any funds being disbursed from the State of Arkansas to Columbia County the sum of \$199,232 upon receiving notice from the Director of the Arkansas Department of Environmental Quality of Columbia County's failure to properly close the disposal operation.

COLUMBIA 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	\$ 583,909
Buildings	4,638,929
Equipment	<u>4,028,674</u>
Total	<u><u>\$ 9,251,512</u></u>