

Conway County, Arkansas

Regulatory Basis Financial Statements (Modified Cash Basis), Supplemental Information and Other Reports

December 31, 2004

LEGISLATIVE JOINT AUDITING COMMITTEE



CONWAY 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

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

We have audited the accompanying financial statements of the general fund, road fund, and other funds in the aggregate of Conway County, Arkansas, as of and for the year ended December 31, 2004 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 Conway County, Arkansas, as of December 31, 2004 or the changes in financial position or cash flows, where applicable, thereof for the year then ended. Further, the County has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The financial statements referred to above do not disclose all the required information concerning deposits, which should be included in order to conform with the 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 modified cash basis financial position of the general fund, road fund, and other funds in the aggregate of Conway County, Arkansas, as of December 31, 2004 and the respective changes in the modified cash basis financial position, and the budgetary results for the general and road funds for the basis of accounting as described in Note 1(C).

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 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 reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the accompanying financial statements of Conway 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, 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
April 18, 2006
LOCO01504

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

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

We have audited the accompanying financial statements of the general fund, road fund, and other funds in the aggregate of Conway County, Arkansas, as of and for the year ended December 31, 2004 and have issued our report thereon dated April 18, 2006. In our report, our opinions on the general fund, road fund, and other funds in the aggregate were qualified because required disclosures were not made concerning deposits. 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 conditions described below to be material weaknesses.

1. A review of Circuit Clerk Trust Fund receipts revealed \$500 was not deposited into the bank account. Because of inadequate internal controls and management oversight, the Circuit Clerk was unable to determine responsibility for the undeposited funds. The Circuit Clerk should exercise adequate management oversight responsibility and implement appropriate internal controls to ensure all receipts are deposited.
2. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the Internal Control over Financial Reporting section as finding number 2.

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.

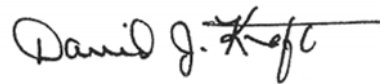
The commentary contained in this section relates to the following officials that held office during December 31, 2004:

County Judge: Jimmy Hart
Treasurer: Wayne DeSalvo
Sheriff: Mark Flowers
Tax Collector: Catherine Bradshaw
County Clerk: Debbie Hartman
Circuit Clerk: Carolyn Gadberry

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

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local County government, state executive and oversight management, the federal awarding agencies and pass-through entities, if applicable, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Arkansas Code Annotated §10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT



David J. Kraft, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
April 18, 2006

CONWAY COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - REGULATORY PRESENTATION - MODIFIED CASH BASIS
 DECEMBER 31, 2004

Exhibit A

	General	Road	Other Funds In The Aggregate
ASSETS			
Cash and cash equivalents	\$ 1,052,533	\$ 401,217	\$ 2,255,036
LIABILITIES AND FUND BALANCES			
Liabilities:			
Settlements pending			\$ 754,524
Fund Balances:			
Reserved	\$ 119,172	\$ 401,217	1,500,512
Unreserved:			
Undesignated	933,361		
Total Fund Balances	1,052,533	401,217	1,500,512
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,052,533	\$ 401,217	\$ 2,255,036

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

CONWAY COUNTY, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 REGULATORY PRESENTATION - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Exhibit B

	General	Road	Other Funds In The Aggregate
RECEIPTS			
State aid	\$ 427,345	\$ 1,025,127	\$ 157,223
Federal aid		1,917	330,622
Property taxes	774,552	375,090	170,103
Sales taxes	539,427	436,119	642,759
Fines, forfeitures and costs	419,212		27,112
Interest	9,522	4,577	9,060
Officers' fees	154,548		50,273
Jail fees	74,919		
911 fees			280,917
Treasurer's commission	126,586		13,000
Collector's commission	143,087		13,124
Taxes apportioned - Assessor's salary and expense	158,727		
Other	193,215	57,980	107,425
	3,021,140	1,900,810	1,801,618
TOTAL RECEIPTS			
Less: Treasurer's commission	37,254	32,658	15,849
	2,983,886	1,868,152	1,785,769
NET RECEIPTS			
DISBURSEMENTS			
Current:			
General government	1,449,258		97,836
Law enforcement	1,644,653		48,071
Highways and streets		2,326,322	
Public safety	24,823		1,305,896
Sanitation	2,420		
Health	23,656		
Recreation and culture			230,034
Social services	48,650		
Total Current	3,193,460	2,326,322	1,681,837
Debt service:			
Lease principal			9,229
Lease interest			2,929
Note principal	20,765		13,075
Note interest	1,801		1,205
Contract payments			9,175
	3,216,026	2,326,322	1,717,450
TOTAL DISBURSEMENTS			

CONWAY COUNTY, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 REGULATORY PRESENTATION - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Exhibit B

	<u>General</u>	<u>Road</u>	<u>Other Funds In The Aggregate</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (232,140)	\$ (458,170)	\$ 68,319
OTHER FINANCING SOURCES (USES)			
Transfers in	43,031	5,866	102,159
Transfers out	<u>(50,394)</u>	<u>(7,870)</u>	<u>(92,792)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,363)</u>	<u>(2,004)</u>	<u>9,367</u>
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(239,503)	(460,174)	77,686
FUND BALANCES - JANUARY 1	<u>1,292,036</u>	<u>861,391</u>	<u>1,422,826</u>
FUND BALANCES - DECEMBER 31	<u>\$ 1,052,533</u>	<u>\$ 401,217</u>	<u>\$ 1,500,512</u>

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

CONWAY COUNTY, ARKANSAS
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND ROAD FUNDS - REGULATORY PRESENTATION - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
State aid	\$ 509,708	\$ 427,345	\$ (82,363)	\$ 943,500	\$ 1,025,127	\$ 81,627
Federal aid	6,500		(6,500)	2,000	1,917	(83)
Property taxes	620,000	774,552	154,552	347,000	375,090	28,090
Sales taxes	522,000	539,427	17,427	425,000	436,119	11,119
Fines, forfeitures and costs	290,000	419,212	129,212			
Interest	7,050	9,522	2,472	2,000	4,577	2,577
Officers' fees	137,000	154,548	17,548			
Jail fees	62,000	74,919	12,919			
Treasurer's commission	117,000	126,586	9,586			
Collector's commission	136,000	143,087	7,087			
Taxes apportioned - Assessor's salary and expense	192,000	158,727	(33,273)			
Other	109,320	193,215	83,895	28,000	57,980	29,980
TOTAL RECEIPTS	2,708,578	3,021,140	312,562	1,747,500	1,900,810	153,310
Less: Treasurer's commission		37,254	(37,254)		32,658	(32,658)
NET RECEIPTS	2,708,578	2,983,886	275,308	1,747,500	1,868,152	120,652
DISBURSEMENTS						
Current:						
General government	1,597,123	1,449,258	147,865			
Law enforcement	1,671,535	1,644,653	26,882			
Highways and streets				2,525,282	2,326,322	198,960
Public safety	42,852	24,823	18,029			
Sanitation	2,420	2,420				
Health	28,600	23,656	4,944			
Social services	51,650	48,650	3,000			
Total Current	3,394,180	3,193,460	200,720	2,525,282	2,326,322	198,960
Debt service:						
Note principal		20,765	(20,765)			
Note interest		1,801	(1,801)			
TOTAL DISBURSEMENTS	3,394,180	3,216,026	178,154	2,525,282	2,326,322	198,960

CONWAY COUNTY, ARKANSAS
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND ROAD FUNDS - REGULATORY PRESENTATION - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (685,602)	\$ (232,140)	\$ 453,462	\$ (777,782)	\$ (458,170)	\$ 319,612
OTHER FINANCING SOURCES (USES)						
Transfers in	42,961	43,031	70		5,866	5,866
Transfers out	(35,462)	(50,394)	(14,932)		(7,870)	(7,870)
TOTAL OTHER FINANCING SOURCES (USES)	7,499	(7,363)	(14,862)		(2,004)	(2,004)
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(678,103)	(239,503)	438,600	(777,782)	(460,174)	317,608
FUND BALANCES - JANUARY 1	687,500	1,292,036	604,536	945,000	861,391	(83,609)
FUND BALANCES - DECEMBER 31	\$ 9,397	\$ 1,052,533	\$ 1,043,136	\$ 167,218	\$ 401,217	\$ 233,999

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

CONWAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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. The County maintains its records on a modified cash basis of accounting, as discussed in Note 1(C). This regulatory basis of presentation and modified basis of accounting differ 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 receipts, disbursements, and changes in fund 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 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, Contingency, Jail, Special Law Enforcement, and Cops Grant.

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: Communications Facility and Equipment, Public Defender, District Court Cost, Support Collections Cost, 911, Health, Agent, Fire Departments, Act 833, District Court Automation, Boating Safety, Recorder's Cost, Disaster Relief, Nuclear, Pick-Up Arkansas, Appreciation, Weather Transmitter, Fire Department Building, Treasurer's Automation, Collector's Automation, County Clerk's Cost, West Nile Virus, Courthouse Renovation, County Library and Circuit Court Automation.

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 Commissions, Collector's Unapportioned, Delinquent Personal, State Land, Oppelo Rural Fire, County Law Library, Act 1262, Surplus Interest, Act 1021, Unapportioned Schools, County Hospital, Collector's Current Tax, Collector's Copy Monies, Sheriff's Fee, Sheriff Fine and Bond, County Clerk's Fee, County Clerk's Trust, Circuit Clerk's Fee, Circuit Clerk's Trust, Circuit Clerk Child Support, Circuit Clerk Juvenile and Circuit Clerk's Bond.

C. Basis of Accounting

The financial statements are presented using a modified cash 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 modified cash basis differs from accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash 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.

CONWAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

Liabilities

For the purpose of financial reporting, liabilities include settlements pending. Settlements pending are considered fines, forfeitures, costs, tax monies and trust funds 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 modified cash basis for the General Fund, Road Fund and the other Special Revenue Funds except for the Communications Facility and Equipment Fund and Conway County Appreciation Fund.

NOTE 2: Cash

Custodial credit risk information for deposits relating to whether deposits are insured or secured with collateral has not been provided.

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.

CONWAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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, 2004, the legal debt limit for the County was \$16,806,195. There were no property tax secured bond issues.

NOTE 5: Reserved Fund Balance

Reserved fund balance consists of the following:

		December 31, 2004
<u>General</u>		
Jail	\$ 118,047	
Cops Grant	1,125	\$ 119,172
 <u>Road</u>		 \$ 401,217
 <u>Other Funds in the Aggregate</u>		
Special Revenue Funds:		
Communications Facility and Equipment	\$ 9,192	
Public Defender	1,715	
District Court Cost	12,677	
Support Collections Cost	6,910	
911	395,802	
Fire Departments	297,520	
Act 833	57,951	
District Court Automation	2,309	
Boating Safety	532	
Recorder's Cost	10,654	
Disaster Relief	57,332	
Nuclear	74,963	
Pick-Up Arkansas	540	
Appreciation	643	
Weather Transmitter	13,204	
Fire Department Building	274,565	
Treasurer's Automation	8,240	
Collector's Automation	11,683	
County Clerk's Cost	9,730	
West Nile Virus	50	
Courthouse Renovation	3,494	
Circuit Court Automation	7,278	
County Library	243,528	\$ 1,500,512

CONWAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 6: Commitments

Total commitments consist of the following at December 31, 2004:

	December 31, <u>2004</u>
Long-Term Debt	<u>\$ 123,400</u>

Long-Term Debt

Long-Term Debt at December 31, 2004 is comprised of the following:

	<u>December 31, 2004</u>
Lease-purchase agreement with Fleetwood Financial Corporation on the purchase of a Freedom recorder. Yearly payments of \$6,054 for five (5) years are to be made from the 911 Fund.	\$ 10,987
Lease-purchase agreement with Bank of the Ozarks on the purchase of Courtstor Imaging System and two (2) scanners for the County Clerk's Office. Monthly payments of \$343.43 for 36 months are to be made from the County Clerk's Cost Fund.	11,000
Lease-purchase agreement with Bank of the Ozarks on the purchase of 6-user Courtstor Imaging System, six (6) workstations and four (4) scanners. Monthly payments of \$802.25 for 24 months are to be made from the Recorder's Cost Fund.	17,801
Contract payable with Arkansas Forestry Commission on the purchase of a 1978 Howe Hendrickson 1250 GPM pumper for St. Vincent Fire Department. Semiannual payments of \$1,875 are to be made from the Fire Department Fund.	1,875
Contract payable with Arkansas Forestry Commission on the purchase of a 1,000 gallon CAFS system for Overcup Fire Department. Semiannual payments of \$1,875 are to be made from the Fire Department Fund.	7,500
Contract payable with Arkansas Forestry Commission on the purchase of a 2,000 gallon tanker truck for Hillcreek Fire Department. Semiannual payments of \$1,567 are to be made from the Act 833 Fund.	4,700
Note payable with Chart Bank on the purchase of a 1986 Ford Pierce fire truck for the Birdtown Fire Department. Semiannual payments of \$7,140 are to be made from the Fire Department Fund.	20,561
Note payable with USBank for the renovation of Conway County courthouse. Monthly payments of \$1,881 are to be made from the Contingency Fund.	<u>48,976</u>
TOTAL LONG-TERM DEBT	<u><u>\$ 123,400</u></u>

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

CONWAY COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

NOTE 6: Commitments (Continued)

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,	Contracts	Notes	Leases	Total
2005	\$ 7,192	\$ 35,066	\$ 13,821	\$ 56,079
2006	6,883	29,155	19,874	55,912
2007		7,429	10,175	17,604
Total Obligations	14,075	71,650	43,870	129,595
Less Interest		2,113	4,082	6,195
Total Principal	<u>\$ 14,075</u>	<u>\$ 69,537</u>	<u>\$ 39,788</u>	<u>\$ 123,400</u>

NOTE 7: 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:

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 may participate in the Secondary Loss Fund that provides additional coverage.

CONWAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 7: Risk Management (Continued)

The County participates in the Arkansas Public Entities Insurance Cooperative – Worker’s Compensation Trust (APCI-WCT) public entity risk pool for worker’s compensation coverage. This program provides benefits for losses incurred by county officials, employees, volunteer fire fighters and prisoners while performing work for the county. Rates for counties participating in this program are based on the cost experience of the particular county or group, the National Council on Worker’s Compensation Insurance and 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.

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 8: 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.

NOTE 9: Lease Of Hospital Facilities

The Conway County Hospital facilities are leased by St. Vincent TOTALHEALTH Corporation for one dollar. The lease began on July 1, 1994 and continued for a period of ten (10) years with four, five (5) year extensions available. On July 1, 2004, TOTALHEALTH Corporation exercised the option to renew the lease agreement for five (5) years. Under the terms of the agreement, neither the lessor nor the lessee may terminate the lease prior to June 30, 2009. St. Vincent TOTALHEALTH Corporation is responsible for all maintenance, insurance, and operating expenses associated with the lease facilities. TOTALHEALTH Corporation shall have the right at any time to add equipment and furnishings as TOTALHEALTH Corporation deems necessary or desirable and such equipment and furnishings shall remain the property of TOTALHEALTH Corporation. Any changes to the premises must be approved by Conway County.

The County levied a one (1) mill property tax for the County Hospital. During 2004, property taxes in the amount of \$124,698 were collected by the County and remitted to TOTALHEALTH Corporation.

CONWAY COUNTY, ARKANSAS
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Unaudited)

Schedule 1

	<u>December 31, 2004</u>
Land	\$ 159,212
Buildings	3,788,544
Equipment	<u>4,158,284</u>
Total	<u>\$ 8,106,040</u>