

Crawford County, Arkansas

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

December 31, 2004

LEGISLATIVE JOINT AUDITING COMMITTEE



CRAWFORD 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

Crawford 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 Crawford 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 Crawford 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 Crawford 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 June 28, 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 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 Crawford 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
June 28, 2006
LOCO01704

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

Crawford 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 Crawford County, Arkansas, as of and for the year ended December 31, 2004 and have issued our report thereon dated June 28, 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 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 Sheriff 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 be segregated among employees to the extent possible.

The Sheriff responded and indicated that his office will segregate the duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions to the extent possible with the current staffing levels.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of the state constitution, laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Other Issues

The following issues are not reportable conditions or material instances of noncompliance, but are issues that are presented to assist in the efficient operation of the County.

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

County Judge: Jerry Williams
Treasurer: Sharon Taylor
Sheriff: Bob Ross
Tax Collector: Diana Gentry
County Clerk: Patti Hill
Circuit Clerk: Linda Howard
Assessor: Dianna Faucher

Our audit procedures indicated that the offices of County Judge and Circuit Clerk were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices were noted in the office of Sheriff, noncompliance with accepted accounting practices were noted in the offices of Treasurer, County Clerk and Assessor and are reported below:

I Sheriff

As noted in previous audits, the cash receipt and disbursement journals were not properly totaled in the Bond and Fine Circuit Fine and Fee II accounts; cash receipt and disbursement journals were not maintained for the Commissary account. Also, bank reconciliations were not balanced to journal activity and balances remaining in the bank were not fully identified, thereby preventing proper settlements from being made to the appropriate agencies.

As noted in previous audits, adequate accounting records were not maintained for the Federal Forfeiture account, which had revenues of \$262,508 and expenditures of \$161,933. Maintaining a cash receipts and disbursements journal, the issuance of cash receipts and the preparation of bank reconciliations are basic requirements needed to ensure proper accounting for funds received in this account.

II Treasurer, Tax Collector, County Clerk and Assessor

The following information system control weaknesses were discovered during a computer application review conducted during the 2002 financial audit. Follow-up reviews were conducted during the 2003 and 2004 financial audits to determine what corrective action has been taken to address these weaknesses. The County has made progress in correcting these weaknesses over the last two (2) years; however, the following issues are still outstanding:

A. Treasurer, Tax Collector, County Clerk and Assessor

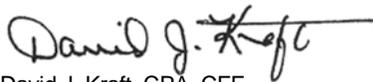
1. A formal security change process was not established and weak password control parameters were present. These conditions could lead to misuse or theft of county funds due to inadequate segregation of duties pertaining to computer system access.
2. There is no formal documented and approved disaster recovery plan. This situation could cause the County to be without computer processing for an extended period of time in the event of a disaster or major interruption of computer services.

B. County Clerk

Data integrity controls were inadequate for claims and personnel processes. Edit checks should be in place to prevent data entry errors.

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
June 28, 2006

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

Exhibit A

	<u>General</u>	<u>Road</u>	<u>Other Funds In The Aggregate</u>
ASSETS			
Cash and cash equivalents	<u>\$ 2,957,832</u>	<u>\$ 613,041</u>	<u>\$ 4,563,450</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Settlements pending			<u>\$ 2,328,986</u>
Fund Balances:			
Reserved	\$ 4,504	\$ 613,041	2,234,464
Unreserved:			
Undesignated	<u>2,953,328</u>		
Total Fund Balances	<u>2,957,832</u>	<u>613,041</u>	<u>2,234,464</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,957,832</u></u>	<u><u>\$ 613,041</u></u>	<u><u>\$ 4,563,450</u></u>

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

CRAWFORD 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	\$ 763,848	\$ 1,528,758	\$ 174,336
Federal aid	45	115,754	706,365
Property taxes	169,514	766,868	502,655
Sales taxes	2,275,820		
Fines, forfeitures and costs	815,793		181,959
Interest	29,768	3,433	17,843
Officers' fees	292,998		430,295
911 Fees			306,993
Jail fees	326,553		
Hospital lease	775,000		
Franchise taxes	43,684		
Treasurer's commission	79,951		26,575
Collector's commission	750,813		78,385
Taxes apportioned - Assessor's salary and expense	338,359		
Other	582,490	55,653	82,435
TOTAL RECEIPTS	7,244,636	2,470,466	2,507,841
Less: Treasurer's commission	119,004	48,705	30,958
NET RECEIPTS	7,125,632	2,421,761	2,476,883
DISBURSEMENTS			
Current:			
General government	2,920,275		6
Law enforcement	3,533,958		161,932
Highways and streets		3,137,679	
Public safety	296,630		828,781
Health	27,322		
Recreation and culture	948		643,015
Social services	35,480		
TOTAL DISBURSEMENTS	6,814,613	3,137,679	1,633,734
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	311,019	(715,918)	843,149
OTHER FINANCING SOURCES (USES)			
Transfers in	760,616	710,257	20,000
Transfers out	(730,258)		(760,615)
Excess collector's commission refunded	(266,791)		
TOTAL OTHER FINANCING SOURCES (USES)	(236,433)	710,257	(740,615)
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	74,586	(5,661)	102,534
FUND BALANCES - JANUARY 1	2,883,246	618,702	2,131,930
FUND BALANCES - DECEMBER 31	\$ 2,957,832	\$ 613,041	\$ 2,234,464

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

CRAWFORD 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	\$ 607,596	\$ 763,848	\$ 156,252	\$ 1,412,000	\$ 1,528,758	\$ 116,758
Federal aid		45	45	121,808	115,754	(6,054)
Property taxes	1,422,271	169,514	(1,252,757)	665,000	766,868	101,868
Sales taxes	2,160,000	2,275,820	115,820			
Fines, forfeitures and costs	928,000	815,793	(112,207)			
Interest	22,025	29,768	7,743	5,000	3,433	(1,567)
Officers' fees	227,000	292,998	65,998			
Jail fees	350,000	326,553	(23,447)			
Hospital lease	775,000	775,000				
Franchise taxes	40,000	43,684	3,684			
Treasurer's commission	126,000	79,951	(46,049)			
Collector's commission		750,813	750,813			
Taxes apportioned - Assessor's salary and expense		338,359	338,359			
Other	295,335	582,490	287,155	45,000	55,653	10,653
TOTAL RECEIPTS	6,953,227	7,244,636	291,409	2,248,808	2,470,466	221,658
Less: Treasurer's commission	123,166	119,004	4,162	44,976	48,705	(3,729)
NET RECEIPTS	6,830,061	7,125,632	295,571	2,203,832	2,421,761	217,929
DISBURSEMENTS						
Current:						
General government	3,272,103	2,920,275	351,828			
Law enforcement	3,708,570	3,533,958	174,612			
Highways and streets				3,843,078	3,137,679	705,399
Public safety	473,464	296,630	176,834			
Sanitation	1,000		1,000			
Health	30,550	27,322	3,228			
Recreation and culture		948	(948)			
Social services	37,000	35,480	1,520			
TOTAL DISBURSEMENTS	7,522,687	6,814,613	708,074	3,843,078	3,137,679	705,399

CRAWFORD 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	<u>\$ (692,626)</u>	<u>\$ 311,019</u>	<u>\$ 1,003,645</u>	<u>\$ (1,639,246)</u>	<u>\$ (715,918)</u>	<u>\$ 923,328</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	899,137	760,616	(138,521)	737,554	710,257	(27,297)
Transfers out	(757,554)	(730,258)	27,296			
Excess collector's commission refunded		<u>(266,791)</u>	<u>(266,791)</u>			
TOTAL OTHER FINANCING SOURCES (USES)	<u>141,583</u>	<u>(236,433)</u>	<u>(378,016)</u>	<u>737,554</u>	<u>710,257</u>	<u>(27,297)</u>
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(551,043)	74,586	625,629	(901,692)	(5,661)	896,031
FUND BALANCES - JANUARY 1	<u>2,846,536</u>	<u>2,883,246</u>	<u>36,710</u>	<u>500,000</u>	<u>618,702</u>	<u>118,702</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 2,295,493</u></u>	<u><u>\$ 2,957,832</u></u>	<u><u>\$ 662,339</u></u>	<u><u>\$ (401,692)</u></u>	<u><u>\$ 613,041</u></u>	<u><u>\$ 1,014,733</u></u>

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

CRAWFORD 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, Sales Tax and Assessor's Fee.

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: Library, Child Support, Prosecutor's Victim/Witness, Boating Safety, Jail, District Court Cost, E-911, Juvenile Probation, Indigent Defense, Sheriff's Communication Facility and Equipment, County Recorder's Cost (75%), State Disaster, Sex Offender's Registration, Treasurer's Automation, District Court's Automation, County Clerk's Cost, Collector's Automation, County Recorder's Cost (25%), Forest Reserve Title III, Hazmat, Circuit Court's Automation, Homeland Security Grant and Federal Forfeiture.

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 Accounts (Treasurer's Commission, Common School, ACEDP-LMI Water Hookups, Game and Fish Commission, Property Tax Relief, Law Library, ACEDP-Crawford County Water Projects, Bank Errors and Cedarville School District #44), Collector's Accounts (Current Tax, Delinquent Tax Personal and Delinquent Tax Real), Sheriff's Accounts (Fee, Bond and Fine, Circuit Bond and Commissary), County Clerk's Fee and Trust, Circuit Clerk's Accounts (Fee and Trust) and Juvenile Probation's Accounts (Fee and Restitution).

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

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, excess Treasurer's commission, property taxes and school receipts 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 Forest Reserve Title III, Hazmat and Homeland Security Grant funds.

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

NOTE 2: Cash and Investments

Custodial credit risk information for deposits and investments relating to whether deposits are insured or secured with collateral and whether investments are insured or registered 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.

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 \$40,502,653. There were no property tax secured bond issues.

NOTE 5: Federal Funds Program Compliance

A separate report was issued for the Crawford County Federal Programs. The following material instances of noncompliance were reported:

Federal Forfeiture Funds

Condition: Accounting principles were not fully implemented in maintaining the books and records at the County Sheriff's Office; cash receipts and disbursement journals were not maintained and bank reconciliations were not performed.

Criteria: Federal guidelines and accounting principles for local governments.

Effect: Federal funds were received and disbursements were made without a complete accounting in the books and records.

Recommendation: Accounting principles applicable to the County should be implemented including Federal and Local compliance criteria.

NOTE 6: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2004
General - Community Grant Project	\$ 4,504
Road	\$ 613,041
 <u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
Library	\$ 942,327
Child Support	11,423
Prosecutor's Victim/Witness	76,106

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

NOTE 6: Reserved Fund Balance (Continued)

Reserved fund balance consists of the following: (Continued)

		December 31, 2004
<u>Other Funds in the Aggregate (Continued)</u>		
Special Revenue Funds: (Continued)		
Boating Safety	\$	12,620
Jail		18,415
District Court Cost		4,482
E-911		238,258
Juvenile Probation		45,446
Indigent Defense		20,558
Sheriff's Communication, Facility and Equipment		119,673
County Recorder's Cost (75%)		91,545
State Disaster		139,935
Treasurer's Automation		42,905
District Court's Automation		1,699
County Clerk's Cost		17,353
Collector's Automation		153,554
County Recorder's Cost (25%)		96,097
Forest Reserve Title III		70,142
Hazmat		21,297
Circuit Court's Automation		9,911
Homeland Security Grant		113
Federal Forfeiture		100,605
Total Other Funds in the Aggregate		\$ 2,234,464

NOTE 7: Commitments

Compensated Absences

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

NOTE 8: Subsequent Events

Purchase of property during 2005:

On April 12, 2005, the County purchased property adjacent to the Courthouse to be used for parking. Purchase price was \$57,500. Source of funding was General revenues.

On August 26, 2005, the County purchased property located at 214 South 4th Street. Purchase price was \$323,951. Source of funding was insurance proceeds received in 2003 for fire loss of the Professional Building and Federal Forfeiture funds transferred to the County by the Twenty-First Judicial District. The building will house a circuit courtroom and other County offices.

On October 26, 2005, the County purchased property located at 206 South 3rd Street. Purchase price was \$129,094. Source of funding was Federal Forfeiture funds transferred to the County by the Twenty-First Judicial District. The building will house the Offices of the Prosecuting Attorney, Twenty-First Judicial District.

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

NOTE 8: Subsequent Events (Continued)

Lawsuit Settlements

Dottie Jones v. Crawford County and Dianna Faucher, individually and in her capacity as Crawford County Tax Assessor (Crawford County Circuit Court Case No. CIV-2001-29) was a lawsuit concerning wrongful employment termination. A judgment totaling \$147,000 was awarded to Dottie Jones in 2003. The County appealed the case to the Supreme Court, and the Court upheld the judgment and reversed the Circuit Court verdict on the Whistle-blower claim. As a result, the County paid the judgment plus accrued interest for a total of \$188,961 on April 11, 2006. Additionally, an agreement was negotiated with Dottie Jones to pay her \$120,000 over a period of five (5) years without interest in return for dismissal of the Whistle-blower claim. Arkansas Public Entities Risk Management Association (APERMA) did not cover any portion of the judgment or negotiated agreement because the award was made for a charge not insured by APERMA.

Jerry Pittman, Matthew Lamora, Ladonna Dean, Richard Redo, Jerry Martin and Gene Bowles v Crawford County United States District Court Case No. CV-2005-2019 was a lawsuit concerning wrongful employment termination. A partial summary judgment was granted March 2, 2006 in favor of the plaintiffs. As a result a settlement agreement totaling \$130,500 was reached with the six plaintiffs. The County paid \$87,000 on March 15, 2006 and APERMA paid \$43,500.

NOTE 9: Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The County participates in the 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.

Vehicle Program

- A. Liability - This program may pay all sums the county legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered county vehicle and for which the county is liable. The limit of payment for in-state claims is \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident and \$25,000 for property damage per accident (\$100,000 respectively for out-of-state claims). The county shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered county vehicles owned or leased by the county.
- B. Physical Damage – This program covers vehicles and mobile equipment which are the property of the participating county. Property is valued at the cost to repair or replace the property after deduction for depreciation. Loss amounts will be reduced by the deductible amount of \$1,000 for Sheriff's Department vehicles and \$500 for all other covered vehicles and mobile equipment. The county agrees to pay into the program each year a service charge established annually by the Risk Management Fund Board for covered property.

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

NOTE 9: Risk Management (Continued)

General Liability Program – The program shall provide legal defense in civil rights suits against the county government of a participating county and pay judgments imposed on county officials and employees and the county government and county-formed boards and commissions. Coverage is limited to \$250,000 per case with an annual aggregate of \$350,000. The county shall pay into the program each year a charge established annually by the Risk Management Fund Board for this coverage.

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

NOTE 10: Arkansas Public Employees Retirement System

Plan Description. The County contributes to the Arkansas Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. PERS has contributory and non-contributory plans. Contributory members are required by code to contribute 6% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation.

NOTE 11: Humana Centers, Inc, Lease Agreement Pertaining to Crawford County Memorial Hospital

On December 16, 1981, Crawford County (Lessor) entered into a lease agreement with Right of First Refusal with Humana Medical Centers, Inc., (Lessee) and Humana, Inc., (Humana or Grantor) for a term of twenty-six (26) years for certain leased premises (Crawford County Memorial Hospital). The terms of the lease provided for rent for the first year of the lease of \$2,500,000 with no rent due for the second, third, fourth and fifth years of the lease, and rent of \$775,000 being due for the sixth year of the lease and each year thereafter.

On May 27, 1983, Humana Medical Centers, Inc., subleased to American Medicorp Development Company, a wholly owned subsidiary of Humana, Inc., for \$1 per year, certain leased premises as more fully described in the sublease agreement with the terms of the sublease being the remainder of the term of the lease upon the date of execution of the sublease.

On April 11, 1984, Crawford County (Lessor) entered into a lease-assignment whereby Humana Medical Centers, Inc., (Assignor) assigned all rights of the above original lease to Republic Health Corporation of Arkansas, Inc., (Assignee) and Republic Health Corporation (Guarantor).

On October 14, 1985, the Crawford County Quorum Court approved the reduction of lease payments beginning in 1987 from \$775,000 to \$250,000 plus a percentage of patient revenue, with a maximum payment of \$775,000.

On March 24, 1987, Crawford County (Lessor) entered into a lease assignment whereby Republic Health Corporation of Arkansas, Inc., (Assignor) assigned all rights of the above original lease to Van Buren H.M.A., Inc., (Assignee) and Health Management Associates, Inc., (Guarantor).

On June 2, 1997, the lease agreement between Crawford County (Lessor) and Health Management Associates, Inc. (Lessee) was amended to extend the original lease term for an additional twenty (20) years through January 31, 2028 inclusive. Additionally, effective February 1, 1997 and on the first day of February of every year thereafter, Lessee shall pay directly to lessee the fixed sum of \$775,000 regardless of Lessee's gross revenues.

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

NOTE 11: Humana Centers, Inc, Lease Agreement Pertaining to Crawford County Memorial Hospital (Continued)

On April 4, 2000, the lease agreement between Crawford County (Lessor) and Health Management Associates, Inc., (Lessee) was amended to extend the lease term until May 4, 2082 in exchange for 1.54 acres to allow Crawford County to construct a County Health Building.

CRAWFORD 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, buildings and improvements	\$ 4,249,053
Equipment	<u>6,797,068</u>
Total	<u>\$ 11,046,121</u>