

**Crittenden County, Arkansas**  
**Regulatory Basis Financial Statements,  
Supplemental Information and Other Reports**

**December 31, 2005**

LEGISLATIVE JOINT AUDITING COMMITTEE



CRITTENDEN 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

Crittenden 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 Crittenden County, Arkansas, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1(B and C), the County has prepared these financial statements using accounting practices prescribed or permitted by Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Crittenden 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 Crittenden County Wastewater 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 Crittenden County Wastewater 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 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 Crittenden 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 Crittenden 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 February 21, 2007 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements of Crittenden County, Arkansas. The supplementary information in the Schedule of Capital Assets listed in the table of contents as Schedule 1 is required by the regulatory basis of presentation and is presented for the purpose of additional analysis. We have not applied auditing procedures to this information and, accordingly, we express no opinion on the Schedule of Capital Assets.

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
February 21, 2007  
LOCO01805

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

Crittenden 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 Crittenden County, Arkansas, as of and for the year ended December 31, 2005 and have issued our report thereon dated February 21, 2007. In our report, our opinions on the general fund and road fund were qualified because required disclosures were not made concerning deposit risks. The other funds in the aggregate's opinion were adverse due to not including the Crittenden County Wastewater Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described below relating to inadequate segregation of duties to be a material weakness.

To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions should be distributed among appropriate employees. The County officials, as specified in the Other Issues section of this report, did not segregate these duties to sufficiently reduce the risks of fraud or error and properly safeguard the County's assets because of limited financial resources. We recommend that the financial accounting duties in each office be segregated among employees to the extent possible.

The County officials, as specified in the Other Issues section of this report, responded and indicated that their offices will segregate the duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions to the extent possible with the current staffing levels.

#### Compliance and Other Matters

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

#### Other Issues

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

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

County Judge: Melton Holt, Jr.  
Treasurer: Larry Miller  
Sheriff: Richard Busby  
Tax Collector: Ellen Steele Foote  
County Clerk: Ruth Trent  
Circuit Clerk: Donna Palmer  
Assessor: William E. Eddings

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

The County's fixed asset listing maintained by the **County Judge's Office** was incomplete and inaccurate. This list is required for accurate financial reporting and proper safeguarding of assets.

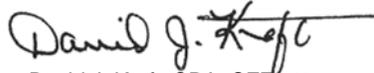
Our office conducted an information system audit of the Offices of **Assessor** and **Tax Collector** for the period January 10, 2005 through February 3, 2005 and reported the results of that audit in the County audit report for the year ended December 31, 2003. Our routine review of the status of the control weaknesses in the original report noted that the following weaknesses continue to exist:

#### **Assessor and Collector**

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 and could also place a financial and personnel burden on the resources of the County.

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  
February 21, 2007

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

Exhibit A

	General	Road	Other Funds In The Aggregate
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,844,222	\$ 2,447,619	\$ 9,100,539
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Settlements pending			\$ 2,848,667
Fund Balances:			
Reserved		\$ 2,447,619	6,251,872
Unreserved:			
Designated - police radar	\$ 27,533		
Undesignated	2,816,689		
Total Fund Balances	2,844,222	2,447,619	6,251,872
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,844,222</b>	<b>\$ 2,447,619</b>	<b>\$ 9,100,539</b>

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

CRITTENDEN 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	\$ 313,043	\$ 1,201,710	\$ 78,578
Federal aid			307,297
Property taxes	250,223	241,664	77,457
Sales taxes	1,973,528	841,008	4,205,040
Fines, forfeitures and costs	1,270,760		419,454
Interest	77,276	44,154	158,459
Officers' fees	266,309		227,570
Southland breakage	234,590		
Jail fees			312,704
Emergency 911 fees			188,676
Sanitation fees			1,608,321
Treasurer's commission	127,125		8,914
Collector's commission	229,768		21,570
Taxes apportioned - Assessor's salary and expense	381,274		
Other	426,932	20,304	171,079
	5,550,828	2,348,840	7,785,119
TOTAL RECEIPTS			
Less: Treasurer's commission	27,797	21,593	69,826
	5,523,031	2,327,247	7,715,293
NET RECEIPTS			
DISBURSEMENTS			
Current:			
General government	2,150,286		338,840
Law enforcement	2,889,358		5,338,320
Highways and streets		2,439,439	
Public safety			50,483
Sanitation			1,843,117
Health	92,500		
Recreation and culture			183,130
Social services	80,930		
	5,213,074	2,439,439	7,753,890
TOTAL DISBURSEMENTS			
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	309,957	(112,192)	(38,597)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,394	49,829	579,805
Transfers out	(379,806)		(251,222)
	(378,412)	49,829	328,583
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(68,455)	(62,363)	289,986
FUND BALANCES - JANUARY 1	2,912,677	2,509,982	5,961,886
FUND BALANCES - DECEMBER 31	\$ 2,844,222	\$ 2,447,619	\$ 6,251,872

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

CRITTENDEN 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	\$ 390,500	\$ 313,043	\$ (77,457)	\$ 1,150,000	\$ 1,201,710	\$ 51,710
Property taxes	184,600	250,223	65,623	220,300	241,664	21,364
Sales taxes	1,775,000	1,973,528	198,528	768,000	841,008	73,008
Fines, forfeitures and costs	681,500	1,270,760	589,260			
Interest	51,350	77,276	25,926	30,300	44,154	13,854
Officers' fees	355,300	266,309	(88,991)			
Southland breakage	250,000	234,590	(15,410)			
Treasurer's commission	124,000	127,125	3,125			
Collector's commission	234,000	229,768	(4,232)			
Taxes apportioned - Assessor's salary and expense	328,000	381,274	53,274			
Other	243,756	426,932	183,176	5,000	20,304	15,304
<b>TOTAL RECEIPTS</b>	<b>4,618,006</b>	<b>5,550,828</b>	<b>932,822</b>	<b>2,173,600</b>	<b>2,348,840</b>	<b>175,240</b>
Less: Treasurer's commission	22,832	27,797	(4,965)	18,000	21,593	(3,593)
<b>NET RECEIPTS</b>	<b>4,595,174</b>	<b>5,523,031</b>	<b>927,857</b>	<b>2,155,600</b>	<b>2,327,247</b>	<b>171,647</b>
DISBURSEMENTS						
Current:						
General government	2,095,626	2,150,286	(54,660)			
Law enforcement	2,891,380	2,889,358	2,022			
Highways and streets				2,715,748	2,439,439	276,309
Health	70,400	92,500	(22,100)			
Social services	80,200	80,930	(730)			
<b>TOTAL DISBURSEMENTS</b>	<b>5,137,606</b>	<b>5,213,074</b>	<b>(75,468)</b>	<b>2,715,748</b>	<b>2,439,439</b>	<b>276,309</b>

CRITTENDEN COUNTY, ARKANSAS  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND ROAD FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (542,432)	\$ 309,957	\$ 852,389	\$ (560,148)	\$ (112,192)	\$ 447,956
OTHER FINANCING SOURCES (USES)						
Transfers in	80,000	1,394	(78,606)		49,829	49,829
Transfers out	(660,000)	(379,806)	280,194			
TOTAL OTHER FINANCING SOURCES (USES)	(580,000)	(378,412)	201,588		49,829	49,829
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(1,122,432)	(68,455)	1,053,977	(560,148)	(62,363)	497,785
FUND BALANCES - JANUARY 1	2,876,235	2,912,677	36,442	2,167,240	2,509,982	342,742
FUND BALANCES - DECEMBER 31	<u>\$ 1,753,803</u>	<u>\$ 2,844,222</u>	<u>\$ 1,090,419</u>	<u>\$ 1,607,092</u>	<u>\$ 2,447,619</u>	<u>\$ 840,527</u>

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

CRITTENDEN 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 and accounting as prescribed by Arkansas Code. This regulatory basis of presentation and accounting differs from accounting principles generally accepted in the United States of America.

**A. Financial Reporting Entity**

The County is a political subdivision of the state governed by an elected quorum court. The reporting entity includes all the funds of the County. The following funds of the County are not presented in this report: Crittenden County Wastewater.

**B. Basis of Presentation – Regulatory Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Arkansas Code requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and road fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of: a balance sheet; a statement of revenues (receipts), expenditures (disbursements), and changes in fund equity (balances); a comparison of the final adopted budget to the actual expenditures for the general fund and road fund; notes to the financial statements; and a supplemental schedule of capital assets.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

**General Fund** - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund heading as it appears in the financial statements includes the following funds: General, Reappraisal, Police Radar and Equipment, Chancery Court Case and Investment, Capital Improvement and Drug Control Funds.

**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: Landfill, Jail, Drug Task Force, Public Defender, Emergency Medical, Emergency 911, Communication Center, Community Development, Search and Rescue, Recorder's Cost and Equipment, Child Support Costs, Enterprise Zone, Treasurer's Automation, Collector's Automation, Sheriff's Communication Facility and Equipment, Court Automation, Renovation Grant, Development Projects, Emergency Management Grant and County Library.

**Capital Projects Funds** - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds). The following capital projects funds are reported with other funds in the aggregate: Detention Facility Construction.

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

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

**B. Basis of Presentation – Regulatory Fund Accounting (Continued)**

**Other Funds in the Aggregate (Continued)**

Agency Funds - Agency Funds are used to account for assets held by the entity as an agent for individuals, private organizations, other governmental units, and other funds. The following agency funds are reported with other funds in the aggregate: Treasurer's (Treasurer's Commission, Collector's Unapportioned, Property Tax Relief, Treasurer Investment, Administration of Justice, Law Library and Improvement Districts), County Judge's (Planning Commission Account and Juvenile Fee Account), County Tax Collector (Tax Accounts), County Clerk's (Fee Account, Trust Accounts, Medical Flexible Spending Account and Change Fund), Circuit Clerk's (Fee Account and Trust Account) and Sheriff's (Bond and Fine Account, Circuit Fine and Costs Account, Miscellaneous Account, Sheriff Change Fund, Sheriff Commissary and Sheriff Drug Asset Forfeiture Account).

**C. Basis of Accounting**

The financial statements are presented using a regulatory basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for settlements pending. This regulatory basis differs from accounting principles generally accepted in the United States of America.

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable, interfund receivables, and capital assets) and their related receipts and certain liabilities (such as accounts payable, interfund payables, and long-term debt) and their related disbursements are not recorded in these financial statements.

**D. Assets, Liabilities and Fund Balances**

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit.

Liabilities

For the purpose of financial reporting, liabilities include settlements pending. Settlements pending are considered fines, forfeitures, costs, excess commissions, and property taxes that have not been transferred to the appropriate entities.

Equity Classification

Fund Balance

1. Reserved Fund Balance indicates that portion of fund balance, which has been legally segregated for specific purposes.
2. 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 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.

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

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

**F. Budget Law**

1. Legal Requirements

State law requires that the Quorum Court, before the end of each fiscal year, make appropriations, by ordinance, for the disbursements of County government for the following year. The Quorum Court may make appropriation amendments at any time during the current fiscal year. Appropriations lapse at the end of each year. Under certain conditions, the budget may be amended subsequent to the year-end.

2. Accounting

The County prepared an annual budget on the regulatory basis for the General Fund, Road Fund and the other Special Revenue Funds except for the Development Project Fund.

**NOTE 2: Cash and Investments**

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

**NOTE 3: Legal or Contractual Provisions for Deposits and Investments**

State law generally requires that county funds be deposited in federally insured banks located in the State of Arkansas. The County deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations the principal and interest on which are fully guaranteed by the United States of America.

**NOTE 4: Legal Debt Limit - Tax Secured Bond Issues**

The County is subject to a constitutional limitation for bonded indebtedness equal to ten percent (10%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2005, the legal debt limit for the County was \$45,831,384. There were no property tax secured bond issues.

**NOTE 5: Reserved Fund Balance**

Reserved fund balance consists of the following:

	December 31, 2005
<u>Road</u>	\$ 2,447,619
<u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
Landfill	\$ 354,535
Landfill - Postclosure Care Cost	1,533,905
County Jail	1,784,848
Drug Task Force	1,944
Public Defender	432,427
Emergency Medical	910
Emergency 911	289,514
Community Development	271
Search and Rescue	(7,553)

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

**NOTE 5: Reserved Fund Balance (Continued)**

	December 31, 2005
<u>Other Funds in the Aggregate (Continued)</u>	
Special Revenue Funds: (Continued)	
County Recorder's Cost	
Recorder's Machinery and Equipment	\$ 242,801
Child Support Cost	9,152
Treasurer's Automation	(13,643)
Collector's Automation	70,134
Sheriff's Communication Facility and Equipment	469,257
Court Automation	20,721
Renovation Grant	9,488
Development Project	(117)
Emergency Management Grant	263,948
County Library	60,072
Total Special Revenue	5,522,614
Capital Projects:	
Detention Facility	729,258
Total Other Funds in the Aggregate	\$ 6,251,872

**NOTE 6: Deficit Fund Balances**

The following funds have deficit fund balances as of December 31, 2005:

	December 31, 2005
Search and Rescue	\$ (7,553)
Treasurer's Automation	(13,643)
Development Projects	(117)

**NOTE 7: Commitments**

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

	December 31, 2005
Long-Term Debt	\$ 2,510,665
Noncancellable Leases	15,158
Total Commitments	\$ 2,525,823

CRITTENDEN 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
Estimated landfill closure and postclosure costs	\$ 2,221,640
Compensated absences	289,025
Total Long-Term Debt	\$ 2,510,665

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

Closure and Postclosure Care Costs

State and federal laws and regulations require that Crittenden County place a final cover on its landfill when closed and perform certain maintenance functions at the landfill site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County recognizes a portion of these closure and postclosure care costs each year based on landfill capacity used as of each balance sheet date. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,221,640 as of December 31, 2005, which is based on the use of 75 percent of the estimated capacity of the landfill. The County will recognize the remaining cost of closure and postclosure care of \$740,547 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. The County expects to close the landfill in the year 2019. Actual cost may be higher due to inflation, changes in technology or changes in regulations. The County Treasurer has a reserved balance of \$1,533,905 for closure and postclosure care costs as of December 31, 2005.

Noncancellable Lease

The County entered into a noncancellable lease agreement for two Dodge pickup trucks on March 18, 2005. Terms of the lease are monthly rental payments of \$583 for 36 months. At the end of the lease term, the County, if no event of default has occurred, may purchase the two trucks for \$18,805.

The County is obligated for the following amounts for the next three years:

Year	Amount
2006	\$ 6,996
2007	6,996
2008	1,166
Total	\$ 15,158

Rental expense for 2005 was \$91,639.

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

**NOTE 8: Joint Venture: Regional Library**

Crittenden and Mississippi counties entered into an agreement in July 1991 in accordance with Ark. Code Ann. 13-2-401 to establish the Mississippi County/Crittenden County Regional Library. The agreement states that the purpose for forming the regional library is "...providing improved library services to the people of the two (2) counties. Each county shall provide its own library facilities and exercises exclusive control, ownership and management thereof and pay the salaries of regional county library personnel in that county". The business of the Mississippi County/Crittenden County Regional Library is to be conducted by a regional board, composed of the two (2) administrative County Boards (10 members) which Boards shall continue to function over their respective systems. The Regional Library Board shall approve the employment and termination of regional library personnel, the regional budget and expenditures, and regional library policies. The system headquarters shall be in Mississippi County, Arkansas. Separate financial statements of the Mississippi County/Crittenden County Regional Library are not available.

**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 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.

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

**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: Southland Greyhound Park Breakage**

Southland Greyhound Park Breakage consists of the County's share of the odd cents or breaks after distributions of each parimutuel pool. In accordance with Ark. Code Ann. 23-11-509, breakage is computed as the amount of odd cents remaining in each parimutuel pool after redistributions are made in a sum equal to the next lowest multiple of ten cents (\$.10). Crittenden County and the cities within the County received a pro rata share totaling one-third (1/3) of the total breakage.

**NOTE 12: Subsequent Events**

On November 14, 2006, the County agreed to settle a Fair Labor Standards Act lawsuit with 107 current and former employees. The County agreed to pay \$186,596 in actual and liquidated damages, and \$97,931 in attorney's fees and costs.

CRITTENDEN 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	\$ 840,041
Buildings	15,572,917
Equipment	<u>3,311,977</u>
Total	<u><u>\$ 19,724,935</u></u>