

Faulkner County, Arkansas

**General Purpose Financial Statements
and Other Reports**

December 31, 2000

LEGISLATIVE JOINT AUDITING COMMITTEE



FAULKNER COUNTY, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

Independent Auditor's Report
Report on Compliance, Internal Control Over Financial Reporting and Other Management Issues

GENERAL PURPOSE FINANCIAL STATEMENTS

	<u>Exhibit</u>
Combined Balance Sheet - Governmental and Fiduciary Fund Types, Account Group and Discretely Presented Component Units	A
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types and Discretely Presented Component Units	B
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds	C
Notes to Financial Statements	

Sen. Kevin A. Smith
Senate Co-Chair
Rep. Danny W. Ferguson
House Co-Chair
Sen. Henry "Hank" Wilkins, IV
Senate Co-Vice Chair
Rep. Tommy Roebuck
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of Faulkner County, Arkansas, as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the financial information for compensated absences and do not disclose all the required information concerning deposits and investments which should be included in order to conform with generally accepted accounting principles. The effects of omitting the required financial information concerning compensated absences were not determined.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Faulkner County, Arkansas, as of December 31, 2000, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2001 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 grants. 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.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in blue ink, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
August 16, 2001
LOCO02300

Sen. Kevin A. Smith
Senate Co-Chair
Rep. Danny W. Ferguson
House Co-Chair
Sen. Henry "Hank" Wilkins, IV
Senate Co-Vice Chair
Rep. Tommy Roebuck
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

REPORT ON COMPLIANCE, INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MANAGEMENT ISSUES

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

We have audited the general purpose financial statements of Faulkner County, Arkansas, as of and for the year ended December 31, 2000 and have issued our report thereon dated August 16, 2001. In our report, our opinion was qualified because of the effects on the financial statements of not including the required information concerning compensated absences in the general purpose financial statements. Also, the required disclosures were not made concerning deposits and investments. 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.

Compliance

As part of obtaining reasonable assurance about whether the general purpose 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 that are required to be reported under *Government Auditing Standards*.

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 opinion on the general purpose financial statements and not to provide assurance 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 record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

The County had inadequate control over cash transactions because of insufficient segregation of duties.

A material weakness is a 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 in amounts that would be material in relation to the general purpose 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 above relating to inadequate segregation of duties to be a material weakness.

Other Management Issues

The commentary contained in this section relates to the following officials that held office during 2000:

County Judge: John Wayne Carter
Treasurer: Kathy Barrett
Sheriff: Marty Montgomery
Tax Collector: Mark Wilcox
County Clerk: Melinda Reynolds
Circuit Clerk: Sharon Rimmer

Our audit procedures indicated that the offices of **County Judge, Treasurer, Tax Collector, Circuit Clerk and Juvenile Judge** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and inadequate internal control procedures were noted in the offices of **Sheriff and County Clerk** and are cited below:

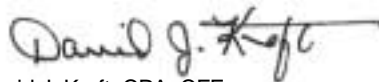
The Municipal Court Accounting Law guidelines established for the **Sheriff's Office** were not complied with as noted in previous audits. Accountability was not maintained over ticket books, arrest reports were not properly completed, and bank balances were not identified to receipts. These deficiencies prevent the proper processing of traffic violations through Municipal Court.

As noted in previous years, the **Sheriff's Inmate Trust Fund** accounting system did not meet the basic requirements of the County Accounting Law. Prenumbered receipts were not written for all funds received and deposits were not timely. This precluded the identification of funds belonging to inmates.

The **County Clerk** did not maintain a check disbursement record. Ark. Code Ann. 14-25-109 states, in part, "checks written shall be recorded in a check disbursement record". Accurate bank reconciliations cannot be performed without a disbursement record. This deficiency was noted in the 1998 and 1999 audit reports.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, state executive and oversight management, County management, the federal awarding agencies and pass-through entities, if applicable and is not intended to be and should not be used by anyone other than these specified parties.

DIVISION OF LEGISLATIVE AUDIT



David J. Kraft, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 16, 2001

FAULKNER COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES,
 ACCOUNT GROUP AND DISCRETELY PRESENTED COMPONENT UNITS
 DECEMBER 31, 2000

Exhibit A

	Governmental Fund Types			Fiduciary Fund Type Agency	Account Group General Fixed Assets	Totals (Memorandum Only) Primary Government December 31, 2000	Component Units			Totals (Memorandum Only) Reporting Entity December 31, 2000
	General	Special Revenue	Capital Projects			County Library Board	County Beautification	County Museum Commission	December 31, 2000	
ASSETS AND OTHER DEBITS										
Cash and cash equivalents	\$ 1,838,264	\$ 4,116,171	\$ 97,459	\$ 3,942,941		\$ 9,994,835	\$ 561,799	\$ 45,027	\$ 6,751	\$ 10,608,412
Investments (Certificates of deposit)	200,423	707,396	178,921			1,086,740				1,086,740
Receivables:										
Accounts	34,015	39,590		2,154,004		2,227,609	1,297			2,228,906
Taxes	9,788	355,500				365,288				365,288
Interfund receivables	518,139	185,458		31,256		734,853				734,853
Due from other agencies	441					441				441
Due from primary government							46,229			46,229
Land and buildings					\$ 10,561,142	10,561,142				10,561,142
Equipment					6,313,930	6,313,930	42,455		2,594	6,358,979
Construction in progress					8,775	8,775				8,775
TOTAL ASSETS AND OTHER DEBITS	\$ 2,601,070	\$ 5,404,115	\$ 276,380	\$ 6,128,201	\$ 16,883,847	\$ 31,293,613	\$ 651,780	\$ 45,027	\$ 9,345	\$ 31,999,765
LIABILITIES AND FUND EQUITY										
Liabilities:										
Accounts payable	\$ 5,060					\$ 5,060	\$ 3,621		\$ 1,805	\$ 10,486
Bonds, fines and costs pending				\$ 127,221		127,221				127,221
Due to other agencies	262,707			5,270,711		5,533,418				5,533,418
Interfund payables	40,470	\$ 3,399		690,984		734,853				734,853
Due to component units	6,944			39,285		46,229				46,229
Total Liabilities	315,181	3,399		6,128,201		6,446,781	3,621		1,805	6,452,207
Fund Equity:										
Investment in general fixed assets					\$ 16,883,847	16,883,847	42,455		2,594	16,928,896
Fund balances:										
Unreserved:										
Undesignated	2,285,889	5,400,716	\$ 276,380			7,962,985	605,704	\$ 45,027	4,946	8,618,662
Total Fund Equity	2,285,889	5,400,716	276,380		16,883,847	24,846,832	648,159	45,027	7,540	25,547,558
TOTAL LIABILITIES AND FUND EQUITY	\$ 2,601,070	\$ 5,404,115	\$ 276,380	\$ 6,128,201	\$ 16,883,847	\$ 31,293,613	\$ 651,780	\$ 45,027	\$ 9,345	\$ 31,999,765

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

FAULKNER COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2000

Exhibit B

	Governmental Fund Types			Totals (Memorandum Only)	Component Units			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Primary Government	County Library Board	County Beautification	County Museum Commission	Reporting Entity
				Year Ended December 31, 2000				Year Ended December 31, 2000
REVENUES								
Intergovernmental revenues - state	\$ 258,257	\$ 1,607,744	\$	\$ 1,866,001	\$ 188,271	\$ 38,201		\$ 2,092,473
Intergovernmental revenues - federal		151,813		151,813				151,813
Property taxes	2,516,016	1,249,879		3,765,895	593,894			4,359,789
Sales taxes		2,659,324	3,552	2,662,876				2,662,876
Fines, forfeitures and costs	849,293	296,785		1,146,078				1,146,078
Investment income	86,525	124,498	12,605	223,628	23,342	1,080		248,050
Officers' fees	99,003	286,200		385,203				385,203
Jail fees	213,615			213,615				213,615
911 fees		476,310		476,310				476,310
Treasurer's commission	147,036	22,631		169,667				169,667
Collector's commission	306,202			306,202				306,202
Taxes apportioned - Assessor's salary and expense	563,127			563,127				563,127
Other	804,320	311,163		1,115,483	83,652	400	\$ 20,341	1,219,876
TOTAL REVENUES	5,843,394	7,186,347	16,157	13,045,898	889,159	39,681	20,341	13,995,079
Less: Treasurer's commission	54,905	56,775		111,680	11,567			123,247
NET REVENUES	5,788,489	7,129,572	16,157	12,934,218	877,592	39,681	20,341	13,871,832
EXPENDITURES								
Current:								
General government	2,410,571	245,240		2,655,811				2,655,811
Law enforcement	3,436,309	515,028		3,951,337				3,951,337
Highways and streets		3,344,287		3,344,287				3,344,287
Public safety	49,230	324,054		373,284				373,284
Health	42,200			42,200				42,200
Recreation and culture	4,500			4,500	848,129	10,017	21,732	884,378
Social services	26,464			26,464				26,464
Soil conservation		20,656		20,656				20,656
Total Current	5,969,274	4,449,265		10,418,539	848,129	10,017	21,732	11,298,417
Capital outlay	129,692	589,118		718,810	10,464		2,594	731,868
TOTAL EXPENDITURES	6,098,966	5,038,383		11,137,349	858,593	10,017	24,326	12,030,285
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(310,477)	2,091,189	16,157	1,796,869	18,999	29,664	(3,985)	1,841,547

FAULKNER COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2000

Exhibit B

	Governmental Fund Types			Totals (Memorandum Only)	Component Units			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Primary Government	County Library Board	County Beautification	County Museum Commission	Reporting Entity
				Year Ended December 31, 2000				Year Ended December 31, 2000
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ 201,250	\$ 22,411		\$ 223,661				\$ 223,661
Transfers out	(26,932)	(196,729)		(223,661)				(223,661)
Value of traded in equipment		60,930		60,930				60,930
Transfers from/to component units	(3,418)			(3,418)	\$ 2,668	\$ 750		
TOTAL OTHER FINANCING SOURCES (USES)	170,900	(113,388)		57,512	2,668	750		60,930
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(139,577)	1,977,801	\$ 16,157	1,854,381	21,667	30,414	\$ (3,985)	1,902,477
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	2,425,216	3,422,915	260,223	6,108,354	584,037	14,613		6,707,004
Restatement adjustment	250			250			8,931	9,181
FUND BALANCES - JANUARY 1, AS RESTATED	2,425,466	3,422,915	260,223	6,108,604	584,037	14,613	8,931	6,716,185
FUND BALANCES - DECEMBER 31	\$ 2,285,889	\$ 5,400,716	\$ 276,380	\$ 7,962,985	\$ 605,704	\$ 45,027	\$ 4,946	\$ 8,618,662

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

FAULKNER COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2000

Exhibit C

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES						
Intergovernmental revenues - state	\$ 221,881	\$ 258,257	\$ 36,376	\$ 1,306,750	\$ 1,607,744	\$ 300,994
Intergovernmental revenues - federal				183,657	151,813	(31,844)
Property taxes	2,072,240	2,516,016	443,776	983,780	1,249,879	266,099
Sales taxes				1,591,329	2,659,324	1,067,995
Fines, forfeitures and costs	855,760	849,293	(6,467)	273,177	296,785	23,608
Investment income	61,524	86,525	25,001	63,471	124,011	60,540
Officers' fees	91,970	99,003	7,033	268,800	275,652	6,852
Jail fees	248,000	213,615	(34,385)			
911 fees				341,000	476,310	135,310
Treasurer's commission	125,000	147,036	22,036	16,480	22,631	6,151
Collector's commission	221,000	306,202	85,202			
Taxes apportioned - Assessor's salary and expense	505,000	563,127	58,127			
Other	804,850	804,320	(530)	58,450	274,714	216,264
TOTAL REVENUES	5,207,225	5,843,394	636,169	5,086,894	7,138,863	2,051,969
Less: Treasurer's commission		54,905	(54,905)		56,775	(56,775)
NET REVENUES	5,207,225	5,788,489	581,264	5,086,894	7,082,088	1,995,194
EXPENDITURES						
Current:						
General government	2,608,482	2,410,571	197,911	293,591	245,240	48,351
Law enforcement	3,537,588	3,436,309	101,279	531,726	461,302	70,424
Highways and streets				3,895,160	3,344,287	550,873
Public safety	72,055	49,230	22,825	353,979	324,054	29,925
Health	42,200	42,200				
Recreation and culture	4,500	4,500				
Social services	26,504	26,464	40			
Soil conservation				21,200	20,656	544
Total Current	6,291,329	5,969,274	322,055	5,095,656	4,395,539	700,117
Capital outlay	228,102	129,692	98,410	551,900	521,851	30,049
TOTAL EXPENDITURES	6,519,431	6,098,966	420,465	5,647,556	4,917,390	730,166

FAULKNER COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2000

Exhibit C

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (1,312,206)	\$ (310,477)	\$ 1,001,729	\$ (560,662)	\$ 2,164,698	\$ 2,725,360
OTHER FINANCING SOURCES (USES)						
Transfers in	206,511	201,250	(5,261)	22,584	22,411	(173)
Transfers out	(30,347)	(26,932)	3,415	(202,166)	(196,729)	5,437
Transfers from/to component units		(3,418)	(3,418)			
TOTAL OTHER FINANCING SOURCES (USES)	176,164	170,900	(5,264)	(179,582)	(174,318)	5,264
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,136,042)	(139,577)	996,465	(740,244)	1,990,380	2,730,624
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	2,045,134	2,425,216	380,082	3,132,399	3,383,707	251,308
Restatement adjustment		250	250			
FUND BALANCES - JANUARY 1, AS RESTATED	2,045,134	2,425,466	380,332	3,132,399	3,383,707	251,308
FUND BALANCES - DECEMBER 31	\$ 909,092	\$ 2,285,889	\$ 1,376,797	\$ 2,392,155	\$ 5,374,087	\$ 2,981,932

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

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1: Summary of Significant Accounting Policies

The accounting methods and procedures adopted by the County conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the County's General Purpose Financial Statements.

A. Financial Reporting Entity

The County is a political subdivision of the state governed by an elected quorum court. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity as discretely presented component units because of the significance of their operational or financial relationships with the County.

Discretely presented component units

Faulkner County Library Board – County Ordinance No. 78-8 established the Faulkner County Library Board as an administrative board pursuant to Ark. Code Ann. 14-14-705. The Library receives a one (1) mill property tax on both real estate and personal property, which is collected by the County. The County Library Board is authorized to receive gifts, bequests and/or devices to be used in accordance with Ark. Code Ann. 13-2-404.

Faulkner County Beautification Committee – County Resolution No. 99-3 established the Faulkner County Beautification Committee as an official Committee of the County and the Committee is accountable to the County Judge. The Committee is funded through donations and state grants through the County.

Faulkner County Museum Commission – County Ordinance No. 92-16 established the Faulkner County Museum Commission as an administrative commission pursuant to Ark. Code Ann, 13-5-501. The County Museum Commission is authorized to accept gifts, grants or donations of real and personal property from the federal government, the State of Arkansas, and from other public or private groups or individuals to be used in accordance with Ark. Code Ann. 13-5-503.

B. Basis of Presentation - 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 all related liabilities and residual equities or 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. Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The following types of funds and account groups are recognized in the accompanying financial statements.

Governmental Funds

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.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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.

Fiduciary Funds

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.

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Account Groups

General Fixed Assets - This group of accounts is established to account for all fixed assets of the entity.

General Long-Term Debt - This group of accounts is established to account for all long-term debt of the entity.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized under the modified accrual basis when the related fund liability is incurred. Exceptions to the general rule include: (1) principal and interest on general long-term debt which is recognized when due and (2) prepaid expenses, which are not recorded.

D. Fixed Assets

General fixed assets purchased are recorded as expenditures at the time of purchase. Such assets excluding infrastructure assets are capitalized at cost in the general fixed assets group of accounts. Gifts or contributions or general fixed assets purchased at nominal sums are generally recorded in the general fixed assets group of accounts at fair market value at the time received. Infrastructure assets, such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and other elements of public domain are not reported in the general fixed assets group of accounts. Such assets are immovable and of value only to the County. No depreciation has been provided on general fixed assets. Interest incurred during construction is not capitalized.

E. Property Taxes

The accompanying financial statements do not reflect any provision for property taxes which were levied in November of our audit year. A lien attaches to the real property in January, and on personal property in June of our audit year. These taxes are collectible beginning the first business day of March of the year subsequent to our audit year. However, such taxes are not considered delinquent until after October 10 of the year subsequent to our audit. Taxes levied in November of our audit year are not available as a resource that can be used to finance current year operations and therefore, are not susceptible to accrual.

F. Receivables

Receivables primarily consist of municipal court fines, sales taxes and jail fees collected by another agency but not yet remitted to the County. Since few governmental fund revenues are susceptible to accrual prior to receipt, property taxes, licenses, fees, and similar revenues are recognized on the cash basis.

G. Investments

Investments, except for certificates of deposit, are reported at fair value. Certificates of deposit are reported at cost.

H. Inventory

The cost of governmental fund type inventories is recorded as an expenditure when purchased rather than when consumed (purchase method). The County had no significant inventories in the governmental fund types.

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. Fund Equity

Fund Balance - Undesignated Fund Balance indicates that portion of fund equity which is available for budgeting in future periods.

J. Budgetary Controls

1. Legal Requirements

State law requires that the Quorum Court, before the end of each fiscal year, make appropriations, by ordinance, for the expenses of county government (General and Special Revenue Funds) 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 accrual basis for the General Fund and all the Special Revenue Funds except for the Communications Facility and Equipment Fund. Formal budgetary policies are not employed for the Fiduciary Fund Type and the Capital Projects Fund.

K. Cash Equivalents

Cash equivalents are considered to be all highly liquid investments (including restricted assets) with a maturity of three (3) months or less when purchased.

L. Encumbrances

The County does not utilize an encumbrance system to record outstanding purchase commitments that have not yet resulted in liabilities.

NOTE 2: Memorandum Totals

Combined financial statements of fund types and account groups have a "total" column that aggregates the columnar statements by fund type and account group. The total column is captioned "Memorandum Only" because the total column on a combined financial statement is not comparable to a consolidation.

NOTE 3: Public Fund Deposits and Investments

The accompanying notes to the financial statements do not include the following credit risk information required by Governmental Accounting Standards Board Statement No. 3 pertaining to the carrying amount of total deposits and investments:

(A) Information disclosing whether deposits are:

- (1) Insured or collateralized with securities held by the entity or its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name;
- (3) Uncollateralized.

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 3: Public Fund Deposits and Investments (Continued)

(B) Information disclosing whether investments are:

- (1) Insured or registered, or securities held by the entity or its agent in the entity's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name;
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

Information concerning the extent of insurance coverage was not compiled by the entity nor readily available from their records.

NOTE 4: 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 5: Fund Presentation

The General Fund heading as it appears in the financial statements includes the following accounts: General, Drug Buy, Jail Commissary, Tax Assessor Late Assessment Fee, Beaverfork Fire, Law Enforcement Block Grant and Rural Fire Protection.

The Special Revenue Fund heading as it appears in the financial statements includes the following funds: Road, Jail Fee, Public Defender, Emergency Squad, Breathalyzer, Child Support, Communication Facility and Equipment, 911, Victim of Crime, Juvenile Probation Fee, Public Defender Investigation, Soil Conservation, COPS Grant, County Recorder Cost, Act 1262 of County, Jail Juvenile Grant, Juvenile Court Representation, County Treasurer Automation, Community Policing Grant – Electronic Monitoring, County Road Sales Tax and Criminal Justice Sales Tax.

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2000	
	Interfund Receivables	Interfund Payables
General Fund:		
General	\$ 503,069	\$ 40,461
Jail commissary	14,966	
Tax assessor late assessment fee	104	9
Special Revenue Funds:		
Road	91,492	
Jail fee	12,882	
Public defender	2,074	
Emergency squad	5,272	
Breathalyzer	97	
Child support	404	
Communication facility and equipment	9,555	3,399
9-1-1	25,669	
Victim of crime	2,171	
Juvenile probation fee	3,342	
Public defender investigation	794	
Soil conservation	11,934	
County recorder cost	18,242	
Act 1262 of 1995 - County	320	
Juvenile court representation	237	
County treasurer automation	973	
Agency Funds:		
County Treasurer:		
Treasurer commission		59,850
Collector's uapportioned		177,525
Delinquent personal		27,213
Delinquent real estate		15,058
County administration of justice	24,458	29,336
Assessor salary		128,495
Collector's commission		141,358
Communications facility and equipment	6,798	6,798
State land sales		5,668
Tax Collector:		
Current taxes		500
County Sheriff:		
Fee account		36,887
Inmate trust fund		14,966
County Clerk:		
Fee account		4,074
Circuit Clerk:		
Fee account		38,786
Juvenile Court:		
Fee account		4,470
	<u>\$ 734,853</u>	<u>\$ 734,853</u>
Totals	<u>\$ 734,853</u>	<u>\$ 734,853</u>

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 7: Changes in General Fixed Assets

	2000 as Previously Reported	January 1, 2000 as Restated	Additions	Deletions	Balance December 31, 2000
Land and buildings	\$ 10,458,297	\$ 10,458,297	\$ 102,845		\$ 10,561,142
Equipment	6,055,909	6,055,909	697,870	\$ 439,849	6,313,930
Construction in progress	90,680	90,680	20,940	102,845	8,775
Totals	\$ 16,604,886	\$ 16,604,886	\$ 821,655	\$ 542,694	\$ 16,883,847

NOTE 8: Changes in Component Units Fixed Assets

	Balance January 1, 2000 as Previously Reported	Balance January 1, 2000 as Restated	Additions	Deletions	Balance December 31, 2000
Equipment					
County Library	\$ 34,966	\$ 34,966	\$ 10,464	\$ 2,975	\$ 42,455
County Museum			2,594		2,594

NOTE 9: Compensated Absences

Compensated absences do vest or accumulate. Accruals for compensated absences have not been reflected in the accompanying financial statements. The effects of omitting this information were not determined.

NOTE 10: 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, 2000, the legal debt limit for the County was \$58,788,070. There were no tax secured bond issues.

NOTE 11: Commitments

The County entered into a contract for reappraisal services beginning January 1, 2000. Terms of the contract are monthly payments of \$28,389 for thirty-six (36) months.

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

<u>Year</u>	<u>Amount</u>
2001	\$ 340,669
2002	340,669
Total	<u>\$ 681,338</u>

Contract payments for 2000 were \$340,669.

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 12: Unbudgeted Funds/Items

The County does not budget all special revenue funds. The County does not recognize other sources of funds and the related expenditure regarding the value of traded in equipment. The applicable columns of the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, (Exhibit C), exclude amounts relating to these items. A reconciliation of actual results for budgeted and unbudgeted items is as follows:

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance January 1, 2000	Fund Balance December 31, 2000
Special Revenue Funds:					
Actual (Exhibit B)	\$ 7,129,572	\$ 5,038,383	\$ (113,388)	\$ 3,422,915	\$ 5,400,716
Minus unbudgeted funds:					
Communication facility and equipment fund	(47,484)	(60,063)		(39,208)	(26,629)
Plus (Minus) unbudgeted audit adjustments:					
Value of traded in equipment		(60,930)	(60,930)		
Actual (Exhibit C)	<u>\$ 7,082,088</u>	<u>\$ 4,917,390</u>	<u>\$ (174,318)</u>	<u>\$ 3,383,707</u>	<u>\$ 5,374,087</u>

NOTE 13: Prior Year Restatements

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund Types and Discretely Presented Component Units was restated at January 1, 2000 to include the County Museum Commission, a component unit, and reflect cash on hand in the General Fund of the primary government. The above component unit and cash on hand were not reported on the above statement in the prior year. The adjustment to fund balances of the General Fund of the primary government and the County Museum Commission, a component unit, at January 1, 2000 was \$250.00 and \$8,931, respectively.

NOTE 14: Subsequent Events

On July 18, 2001, the Faulkner County Quorum Court adopted Ordinance No. 01-21 authorizing the issuance of a promissory note in the amount of \$900,000 to provide for the acquisition and remodeling of the former Presbyterian Church building. This building will be the Juvenile Court facility. Faulkner County has made arrangements with Simmons First Bank to purchase the note with an interest rate of five percent (5%) per annum and to be repaid in five (5) equal installments commencing one year from the date of the note with the final installment due five years from the date of the note.

NOTE 15: Joint Venture: Regional Library

Faulkner and Van Buren Counties entered into an agreement in June 1978 in accordance with Ark. Code Ann. 13-2-401 to establish the Faulkner-Van Buren Regional Library. The agreement states that the Regional Library Board shall employ a regional librarian approved by the Arkansas Library Commission to serve for such time and on such terms as the Board may prescribe and to be paid from the regional budget. Faulkner County is responsible only for the expenses of the County Library. Separate financial statements of the Faulkner-Van Buren Regional Library are not available.

FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 16: 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 \$250,000 per case with an annual aggregate of \$250,000. 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 participates in the Secondary Loss Fund that provides additional coverage of \$250,000 to the annual aggregate.

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 \$250,000 per occurrence. 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 17: 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. The current employer rate is 7% of annual covered payroll. The County's contributions to PERS for the years ending December 31, 2000, 1999 and 1998 were \$286,327, \$227,517 and \$204,679, respectively, equal to the required contributions for each year.

«AGENCY_ALL_CAPS» COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000