Faulkner County, Arkansas

Financial Statements (Modified Cash Basis) and Other Reports

December 31, 2001

LEGISLATIVE JOINT AUDITING COMMITTEE

FAULKNER COUNTY, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2001

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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 financial statements of Faulkner County, Arkansas, as of and for the year ended December 31, 2001, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America 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 opinion.

As described in Note 1(C), the County prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the financial information for compensated absences and the equipment account of General Fixed Assets and do not disclose certain required information concerning deposits and investments which should be included in order to conform with the basis of accounting described in Note 1(C). The effects of the omitted required financial information concerning compensated absences and the equipment account of General Fixed Assets were not determined.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1(C), the assets and liabilities arising from modified cash transactions of Faulkner County, Arkansas, as of December 31, 2001, or the revenues and expenditures for the year then ended.

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2002, 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

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
September 10, 2002
LOCO02300

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Arkansas

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 financial statements of Faulkner County, Arkansas, as of and for the year ended December 31, 2001 and have issued our report thereon dated September 10, 2002. In our report, our opinion was adverse because of the effects on the financial statements of not including all financial information of the reporting entity and the required information concerning compensated absences in the 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 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 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 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 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 2001:

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 **Treasurer**, **Tax Collector** and **Circuit Clerk** 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 **County Judge**, **Sheriff** and **County Clerk** and are cited below:

The County obtained a five-year loan totaling $900,000 from a local bank to finance the purchase and renovation of a building to be used for court facilities. The **County Judge** signed a settlement statement for the purchase of the building in which loan proceeds of $406,877 were paid directly to the seller by the lender rather than being remitted to the County Treasury. Because of this direct payment, the loan proceeds and the purchase of the real estate were not recorded on the County's financial records.

The Municipal Court Accounting Law guidelines established for the **Sheriff's Office** again 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.

The **Sheriff's Office** did not maintain accountability over the **Inmate Trust Fund**. Receipts were not deposited in a timely manner. All receipt books could not be located. Cash receipt and disbursement journals could not be reconciled to deposits and withdrawals on bank statements. A subsidiary ledger of inmate accounts was not properly maintained. Bookkeeping responsibility was assigned to employees that did not have proper training in bookkeeping techniques. Because of these deficiencies, the remaining balances due inmates could not be determined.

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 reconciliation cannot be performed without a disbursement record. This deficiency was noted in the 1998, 1999 and 2000 audit reports.

Accounting records were not maintained for trust funds in custody of the **County Clerk**. Prenumbered receipts were not written for trust funds received. Cash receipt and cash disbursement journals have not been established. Subsidiary ledgers have not been maintained for trust accounts. Tracking and control of trust funds cannot be accomplished without proper accounting records.

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

David J. Kraft, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
September 10, 2002

FAULKNER COUNTY, ARKANSAS

Exhibit A

COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS -
MODIFIED CASH BASIS
DECEMBER 31, 2001

	Governmental Fund Types			Fiduciary Fund Type	Account Groups		Totals (Memorandum Only) Primary Government	Component Units			Totals (Memorandum Only) Reporting Entity
	General	Special Revenue	Capital Projects	Agency	General Fixed Assets	General Long-Term Debt	December 31, 2001	County Library Board	County Beautification	County Museum Commission	December 31, 2001
ASSETS AND OTHER DEBITS											
Cash and cash equivalents	$ 1,955,852	$ 7,917,635	$ 284,618	$ 3,731,843			$ 13,889,948	$ 625,790	$ 35,169	$ 14,014	$ 14,564,921
Investments (Certificates of deposit)										7,776	7,776
Interfund receivables		25,770		230			26,000				26,000
Land and buildings					$ 11,012,015		11,012,015				11,012,015
Construction in progress					260,408		260,408				260,408
Amount to be provided for retirement of general long-term debt						$ 609,692	609,692				609,692
TOTAL ASSETS AND OTHER DEBITS	$ 1,955,852	$ 7,943,405	$ 284,618	$ 3,732,073	$ 11,272,423	$ 609,692	$ 25,798,063	$ 625,790	$ 35,169	$ 21,790	$ 26,480,812
LIABILITIES AND FUND EQUITY											
Liabilities:											
Accounts payable	$ 22,535	$ 74,847		$ 728,240			$ 825,622	$ 10,410		$ 377	$ 836,409
Payroll taxes payable										1,901	1,901
Commission pending				765,090			765,090				765,090
Tax settlement pending				1,217,285			1,217,285				1,217,285
Fee settlement pending				102,042			102,042				102,042
Bonds, fines and costs pending				141,926			141,926				141,926
Due to other agencies				777,490			777,490				777,490
Interfund payables	26,000						26,000				26,000
Notes payable						$ 609,692	609,692				609,692
Total Liabilities	48,535	74,847		3,732,073		609,692	4,465,147	10,410		2,278	4,477,835
Fund Equity:											
Investment in general fixed assets					$ 11,272,423		11,272,423				11,272,423
Fund balances:											
Unreserved:											
Undesignated	1,907,317	7,868,558	$ 284,618				10,060,493	615,380	$ 35,169	19,512	10,730,554
Total Fund Equity	1,907,317	7,868,558	284,618		11,272,423		21,332,916	615,380	35,169	19,512	22,002,977
TOTAL LIABILITIES AND FUND EQUITY	$ 1,955,852	$ 7,943,405	$ 284,618	$ 3,732,073	$ 11,272,423	$ 609,692	$ 25,798,063	$ 625,790	$ 35,169	$ 21,790	$ 26,480,812

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

FAULKNER COUNTY, ARKANSAS

Exhibit B

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types			Totals (Memorandum Only) Primary Government	Component Units			Totals (Memorandum Only) Reporting Entity
	General	Special Revenue	Capital Projects	Year Ended December 31, 2001	County Library Board	County Beautification	County Museum Commission	Year Ended December 31, 2001
REVENUES								
Intergovernmental revenues - state	$ 1,042,110	$ 1,890,445		$ 2,932,555	$ 260,024			$ 3,192,579
Intergovernmental revenues - federal	24,652	1,270,429		1,295,081				1,295,081
Property taxes	1,842,728	1,096,789		2,939,517	543,206			3,482,723
Sales taxes		4,629,908		4,629,908				4,629,908
Fines, forfeitures and costs	808,348	266,027		1,074,375				1,074,375
Investment income	62,737	151,763	$ 9,501	224,001	16,940	$ 715	$ 276	241,932
Officers' fees	73,073	400,262		473,335				473,335
Jail fees	228,657			228,657				228,657
911 fees		502,804		502,804				502,804
Treasurer's commission	146,177	23,892		170,069				170,069
Collector's commission	293,622			293,622				293,622
Taxes apportioned - Assessor's salary and expense	867,225			867,225				867,225
Other	445,905	262,846		708,751	91,601	997	53,420	854,769
TOTAL REVENUES	5,835,234	10,495,165	9,501	16,339,900	911,771	1,712	53,696	17,307,079
Less: Treasurer's commission	78,009	81,416		159,425	16,212			175,637
NET REVENUES	5,757,225	10,413,749	9,501	16,180,475	895,559	1,712	53,696	17,131,442
EXPENDITURES								
Current:								
General government	2,420,427	292,712		2,713,139				2,713,139
Law enforcement	3,585,282	1,111,425		4,696,707				4,696,707
Highways and streets		4,619,693		4,619,693				4,619,693
Public safety	60,457	361,291		421,748				421,748
Health	42,200			42,200				42,200

FAULKNER COUNTY, ARKANSAS

Exhibit B

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types			Totals (Memorandum Only) Primary Government Year Ended December 31, 2001	Component Units			Totals (Memorandum Only) Reporting Entity Year Ended December 31, 2001
	General	Special Revenue	Capital Projects		County Library Board	County Beautification	County Museum Commission	
EXPENDITURES (Continued)								
Current: (Continued)								
Recreation and culture	$ 7,500			$ 7,500	$ 865,756	$ 11,570	$ 39,129	$ 923,955
Social services	28,315			28,315				28,315
Soil conservation		$ 26,354		26,354				26,354
Total Current	6,144,181	6,411,475		12,555,656	865,756	11,570	39,129	13,472,111
Capital outlay	774,771	722,920	$ 1,263	1,498,954	1,242			1,500,196
TOTAL EXPENDITURES	6,918,952	7,134,395	1,263	14,054,610	866,998	11,570	39,129	14,972,307
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,161,727)	3,279,354	8,238	2,125,865	28,561	(9,858)	14,567	2,159,135
OTHER FINANCING SOURCES (USES)								
Transfers in	342,065	354		342,419				342,419
Transfers out	(9,305)	(333,114)		(342,419)				(342,419)
Prior year excess commission returned	113,676	72,626		186,302	28,641			214,943
Loan proceeds	609,692			609,692				609,692
TOTAL OTHER FINANCING SOURCES (USES)	1,056,128	(260,134)		795,994	28,641			824,635
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(105,599)	3,019,220	8,238	2,921,859	57,202	(9,858)	14,567	2,983,770
FUND BALANCES - JANUARY 1	2,012,916	4,849,338	276,380	7,138,634	558,178	45,027	4,945	7,746,784
FUND BALANCES - DECEMBER 31	$ 1,907,317	$ 7,868,558	$ 284,618	$ 10,060,493	$ 615,380	$ 35,169	$ 19,512	$ 10,730,554

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

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The County is a political subdivision of the state governed by an elected quorum court. 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 accountable to the County Judge. The Committee is funded through donations and state grants obtained 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 and 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. Ordinance No. 01-11 authorized the levying of a voluntary property tax of one (1) mill on real and personal property for the support and operation of the County Museum. Collection of the voluntary tax will commence in 2002.

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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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.

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 are recognized and reported in the financial statements. All funds are accounted for using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Their revenues are recognized when collected rather than when earned. Expenditures are recognized when paid rather than when incurred except for the recording of liabilities paid with funds available at year-end. General Fixed Assets and General Long-Term Debt are included as account groups.

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

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.

F. Investments

Investments are reported at cost.

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Fund Equity

Fund Balance -

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

2. Designated Fund Balance indicates that portion of fund equity for which the entity has made tentative plans.

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

H. 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 cash basis for the General Fund, all the Special Revenue Funds and the Capital Projects Fund. Formal budgetary policies are not employed for the Fiduciary Fund Types.

The following table reflects budget versus actual comparisons by fund for the year ended December 31, 2001:

Fund	Budgeted Revenues	Actual Revenues	Excess	Appropriations	Actual Expenditures and Other Uses	Excess
General	$ 5,259,090	$ 5,835,235	$ (576,145)	$ 6,966,420	$ 6,928,257	$ 38,163
Special Revenue:						
Road	2,416,390	3,994,554	(1,578,164)	3,337,025	2,978,912	358,113
County Recorder	244,430	358,195	(113,765)	368,277	319,486	48,791
Breathalyzer	1,126	1,084	42			
COPS Grant	318,725	319,561	(836)	351,010	321,904	29,106
Emergency Squad	40,730	56,780	(16,050)	64,750	46,983	17,767
Road Sales Tax	2,702,253	2,328,451	373,802	2,273,742	1,975,702	298,040
Public Defender	24,380	25,777	(1,397)	33,690	33,381	309

NOTE 1: Summary of Significant Accounting Policies (Continued)

H. Budgetary Controls (Continued)

2. Accounting (Continued)

Fund	Budgeted Revenues	Actual Revenues	Excess	Appropriations	Actual Expenditures and Other Uses	Excess
Special Revenue: (Continued)						
Soil Conservation	$ 82,950	$ 102,461	$ (19,511)	$ 27,400	$ 26,982	$ 418
Jail Fees	143,998	134,724	9,274	145,438	144,552	886
Act 1262 of 1995	1,576	5,168	(3,592)	1,679	1,679	
911	415,200	513,385	(98,185)	396,814	360,339	36,475
Treasurer's Automation	16,950	24,575	(7,625)	14,300	6,045	8,255
Criminal Justice Sales Tax	2,717,659	2,372,829	344,830	1,005,892	870,372	135,520
Community Policing	336	338	(2)	336	336	
Victims of Crime	24,671	23,318	1,353	30,122	27,839	2,283
Child Support Costs	14,470	26,328	(11,858)	19,600	13,043	6,557
LEBG	9,958	9,994	(36)	9,958	9,958	
Juvenile Probation	121,650	92,438	29,212	100,074	94,796	5,278
Juvenile Jail Grant	15,244	12,840	2,404	20,000	16,154	3,846
Public Defender Investigator	11,202	9,469	1,733	133,497	133,497	
Juvenile Court Representation	4,390	1,958	2,432	10,354	8,536	1,818
County Clerk's Cost	2,353	11,652	(9,299)			
LEBG - Equipment	15,584	15,723	(139)	15,716	15,723	(7)
Court-Related Technology		364	(364)			
Capital Projects	11,200	9,501	1,699	218,709	1,263	217,446

I. 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.

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.

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 funds: General, Drug-Buy, Commissary, Tax Assessor's Late Assessment Fee, Beaverfork Fire and Rural Fire Protection.

The Special Revenue Fund heading as it appears in the financial statements includes the following funds: Road, Law Enforcement Block Grant, Jail Fee, Public Defender, Emergency Squad, Breathalyzer, Child Support, Communications Facility and Equipment, 9-1-1, Victims of Crime, Juvenile Probation Fee, Public Defender Investigator Fee, Soil Conservation, COPS Grant, County Recorder's Cost, Act 1262 of 1995, Juvenile Jail Grant, Juvenile Court Representation, County Treasurer's Automation, Community Policing Grant, Road Sales Tax, Criminal Justice Sales Tax, County Clerk's Cost, Law Enforcement Block Grant Equipment, and Court-Related Technology.

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2001	
Fund	Interfund Receivables	Interfund Payables
General Fund		$ 26,000
Special Revenue Funds:		
Communications Facility and Equipment	$ 2,158	
9-1-1	23,612	
Agency Funds:		
Collector	230	
Totals	$ 26,000	$ 26,000

NOTE 7: Changes in General Fixed Assets

	Balance January 1, 2001	Cash Additions	Other Additions	Deletions	Balance December 31, 2001
Land and buildings	$ 10,561,142	$ 438,877	$ 11,996		$ 11,012,015
Construction in progress	8,775	251,633			260,408
Totals	$ 10,569,917	$ 690,510	$ 11,996	$ 0	$ 11,272,423

NOTE 8: 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 9: Long-Term Debt

General long-term debt at December 31, 2001 is comprised of the following:

	December 31, 2001
Promissory note withdraw feature with Simmons First National Bank, proceeds to be used to purchase and renovate circuit court facilities , 5 % interest, five annual payments of equal installments of principal plus accrued interest, first payment due August 21, 2002. Total draws as of December 31, 2001 were $609,692.	$ 609,692

NOTE 10: Changes in General Long-Term Debt

The following is a summary of transactions of the County for the year ended December 31, 2001:

	2001
General Long-Term Debt at January 1	$ 0
Additions: Notes payable	609,692
General Long-Term Debt at December 31	$ 609,692

NOTE 11: 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, 2001, the legal debt limit for the County was $67,408,414. There were no property tax secured bond issues.

NOTE 12: Federal Funds Program Compliance

As of September 10, 2002, the Community Oriented Policing Services, Disaster Relief and Law Enforcement Block grants of the County were being audited in accordance with federal program requirements by other auditors and therefore, any instances of noncompliance with federal grant requirements have not been determined.

NOTE 13: Commitments

A. Reappraisal Services

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 amount for the next year:

Year	Amount
2002	$ 340,669

B. Construction Contract

The County was contractually obligated for the following construction contract at December 31, 2001:

Project Name	Estimated Completion Date	Contract Balance
Courts facility renovation	April 1, 2002	$256,994

NOTE 14: Joint Venture: Faulkner-Van Buren 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.

NOTE 15: 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.

NOTE 15: Risk Management (Continued)

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

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

Vehicle Program

A. Liability

This program may pay all sums the county legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered county vehicle and for which the county is liable. The limit of payment by the program is $25,000 for bodily injury per person, $50,000 for bodily injury per accident and $25,000 for property damage per accident. The county shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered county vehicles owned or leased by the county.

B. Physical Damage

This program covers vehicles (excluding mobile equipment) which are the property of the participating county. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of $500 per occurrence. The county agrees to pay into the program each year a service charge established annually by the Risk Management Fund Board for covered property.

General Liability Program - The program shall provide legal defense in civil rights suits against the county government of a participating county and pay judgments imposed on county officials and employees and the county government and county-formed boards and commissions. Coverage is limited to $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 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 16: 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 8% of annual covered payroll. The County's contributions to PERS for the years ending December 31, 2001, 2000 and 1999 were $376,471, $286,327 and $227,517, respectively, equal to the required contributions for each year.