

**Baxter County, Arkansas**

**General Purpose Financial Statements  
and Other Reports**

**December 31, 2000**



BAXTER COUNTY, ARKANSAS  
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FOR THE YEAR ENDED DECEMBER 31, 2000

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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

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

We have audited the accompanying general purpose financial statements of Baxter 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 the Component Unit - Baxter Manor Nursing Home and do not disclose certain required information concerning deposits and investments which should be included in order to conform with generally accepted accounting principles. The effects of the omitted financial information for the Component Unit - Baxter Manor Nursing Home were not determined.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the general purpose 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 Baxter County, Arkansas, as of December 31, 2000 or the results of its operations for the year then ended, the results of its operations or the cash flows of its proprietary fund types for the year then ended.

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 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  
October 25, 2001  
LOCO00300

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

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

We have audited the general purpose financial statements of Baxter County, Arkansas, as of and for the year ended December 31, 2000 and have issued our report thereon dated October 25, 2001. 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 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

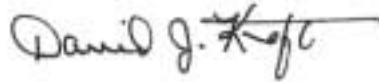
The commentary contained in this section relates to the following officials that held office during 2000:

County Judge: Joe Bodenhamer  
Treasurer: Nelda Speaks  
Sheriff: Joe Edmonds  
Tax Collector: Willa Mae Tilley  
County and Circuit Clerk: Rhonda Porter  
Airport Manager: Bert Rodgers  
Librarian: Gwen Khayat  
Municipal Court Clerk: Linda Shaffer  
Juvenile Services: Cheryl Green

Our audit procedures indicated that all of the above offices were in substantial compliance with Arkansas fiscal and financial laws.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, 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  
October 25, 2001

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

Exhibit A

	Governmental Fund Types			Fiduciary Fund Type Agency	Account Groups		Totals (Memorandum Only)	Component Units		Totals (Memorandum Only)
	General	Special Revenue	General Fixed Assets		General Long- Term Debt	Primary	County Airport Commission	County Library Board	Reporting	
						Government December 31, 2000			Entity December 31, 2000	
<b>ASSETS AND OTHER DEBITS</b>										
Cash and cash equivalents	\$ 1,294,304	\$ 872,036	\$ 455,198			\$ 2,621,538	\$ 27,907	\$ 71,561	\$ 2,721,006	
Investments (Certificates of deposit)	796,026	526,427	2,801			1,325,254		288,259	1,613,513	
Receivables:										
Accounts	122,454	65,276	5,513			193,243	1,494		194,737	
Taxes	197,829					197,829			197,829	
Interfund receivables	70,168	63,634	36,442			170,244			170,244	
Due from component units	217					217			217	
Due from primary government								14,556	14,556	
Land and buildings				\$ 4,433,550		4,433,550	552,185		4,985,735	
Improvements				233,750		233,750	1,809,529		2,043,279	
Equipment				8,658,328		8,658,328	54,884	109,714	8,822,926	
Amount to be provided for retirement of lease-purchase agreements					\$ 663,634	663,634	112,367		776,001	
Amount to be provided for installment contract payable agreement					191,111	191,111			191,111	
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 2,480,998</b>	<b>\$ 1,527,373</b>	<b>\$ 499,954</b>	<b>\$ 13,325,628</b>	<b>\$ 854,745</b>	<b>\$ 18,688,698</b>	<b>\$ 2,558,366</b>	<b>\$ 484,090</b>	<b>\$ 21,731,154</b>	
<b>LIABILITIES AND FUND EQUITY</b>										
Liabilities:										
Accounts payable	\$ 171,044	\$ 69,795				\$ 240,839	\$ 1,128	\$ 10,240	\$ 252,207	
Payroll taxes payable	40,162	17,814				57,976		3,317	61,293	
Bonds, fines and costs pending			\$ 210,541			210,541			210,541	
Due to other agencies	203,879		213,258			417,137			417,137	
Interfund payables	58,104	38,630	73,510			170,244			170,244	
Due to component units	11,911		2,645			14,556			14,556	
Due to primary government								217	217	
Lease-purchase agreements payable					\$ 663,634	663,634	112,367		776,001	
Installment contract payable					191,111	191,111			191,111	
<b>Total Liabilities</b>	<b>485,100</b>	<b>126,239</b>	<b>499,954</b>		<b>854,745</b>	<b>1,966,038</b>	<b>113,495</b>	<b>13,774</b>	<b>2,093,307</b>	
Fund Equity:										
Investment in general fixed assets				\$ 13,325,628		13,325,628	2,416,598	109,714	15,851,940	
Fund balances:										
Unreserved:										
Designated	599,232					599,232		300	599,532	
Undesignated	1,396,666	1,401,134				2,797,800	28,273	360,302	3,186,375	
<b>Total Fund Equity</b>	<b>1,995,898</b>	<b>1,401,134</b>		<b>13,325,628</b>		<b>16,722,660</b>	<b>2,444,871</b>	<b>470,316</b>	<b>19,637,847</b>	
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 2,480,998</b>	<b>\$ 1,527,373</b>	<b>\$ 499,954</b>	<b>\$ 13,325,628</b>	<b>\$ 854,745</b>	<b>\$ 18,688,698</b>	<b>\$ 2,558,366</b>	<b>\$ 484,090</b>	<b>\$ 21,731,154</b>	

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

BAXTER 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) Primary Government	Component Units		Totals (Memorandum Only) Reporting Entity
	General	Special Revenue	Year Ended December 31, 2000	County Airport Commission	County Library Board	Year Ended December 31, 2000
	REVENUES					
Intergovernmental revenues - state	\$ 886,902	\$ 1,162,691	\$ 2,049,593	\$ 10,868	\$ 53,356	\$ 2,113,817
Intergovernmental revenues - federal	61,588	116,415	178,003			178,003
Property taxes	297,968	787,110	1,085,078		336,691	1,421,769
Sales taxes	2,492,967		2,492,967			2,492,967
Fines, forfeitures and costs	381,446	28,843	410,289			410,289
Investment income	98,500	71,238	169,738	540	11,904	182,182
Officers' fees	173,835	138,972	312,807			312,807
Jail fees	95,604		95,604			95,604
Hospital lease	600,000		600,000			600,000
Airport fees				66,258		66,258
Treasurer's commission	57,638	19,907	77,545			77,545
Collector's commission	236,434		236,434			236,434
Taxes apportioned - Assessor's salary and expense	284,179		284,179			284,179
Other	499,765	311,234	810,999	23	21,158	832,180
<b>TOTAL REVENUES</b>	<b>6,166,826</b>	<b>2,636,410</b>	<b>8,803,236</b>	<b>77,689</b>	<b>423,109</b>	<b>9,304,034</b>
Less: Treasurer's commission	38,230	19,257	57,487		3,511	60,998
<b>NET REVENUES</b>	<b>6,128,596</b>	<b>2,617,153</b>	<b>8,745,749</b>	<b>77,689</b>	<b>419,598</b>	<b>9,243,036</b>
EXPENDITURES						
Current:						
General government	1,755,815	124,964	1,880,779	49,383	419,875	2,350,037
Law enforcement	2,678,027	81,865	2,759,892			2,759,892
Highways and streets	26,224	2,444,665	2,470,889			2,470,889
Public safety	378,240	189,431	567,671			567,671
Health	84,871		84,871			84,871
Recreation and culture	6,500	60,765	67,265			67,265
Social services	68,383		68,383			68,383
<b>Total Current</b>	<b>4,998,060</b>	<b>2,901,690</b>	<b>7,899,750</b>	<b>49,383</b>	<b>419,875</b>	<b>8,369,008</b>

BAXTER 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	Component Units		Totals
			(Memorandum Only)			(Memorandum Only)
	General	Special Revenue	Primary Government Year Ended December 31, 2000	County Airport Commission	County Library Board	Reporting Entity Year Ended December 31, 2000
EXPENDITURES (Continued)						
Capital outlay	\$ 375,057	\$ 402,678	\$ 777,735	\$ 1,395		\$ 779,130
Debt service:						
Principal reduction on capital lease		129,583	129,583	6,422		136,005
Interest imputed on capital lease		44,239	44,239	10,478		54,717
Payment on building purchase	191,111		191,111			191,111
<b>TOTAL EXPENDITURES</b>	<b>5,564,228</b>	<b>3,478,190</b>	<b>9,042,418</b>	<b>67,678</b>	<b>\$ 419,875</b>	<b>9,529,971</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>564,368</b>	<b>(861,037)</b>	<b>(296,669)</b>	<b>10,011</b>	<b>(277)</b>	<b>(286,935)</b>
OTHER FINANCING SOURCES (USES)						
Transfers in	35,123	749,868	784,991			784,991
Transfers out	(749,868)	(35,123)	(784,991)			(784,991)
Value of lease-purchase agreement		332,000	332,000			332,000
Transfers from/to component units	(3,483)		(3,483)	3,483		
Donations		3,187	3,187		268,946	272,133
Value of donated fixed assets	38,800		38,800			38,800
Sale of assets	7,010		7,010			7,010
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(672,418)</b>	<b>1,049,932</b>	<b>377,514</b>	<b>3,483</b>	<b>268,946</b>	<b>649,943</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(108,050)</b>	<b>188,895</b>	<b>80,845</b>	<b>13,494</b>	<b>268,669</b>	<b>363,008</b>
FUND BALANCES - JANUARY 1	2,103,948	1,212,239	3,316,187	14,779	91,933	3,422,899
FUND BALANCES - DECEMBER 31	<u>\$ 1,995,898</u>	<u>\$ 1,401,134</u>	<u>\$ 3,397,032</u>	<u>\$ 28,273</u>	<u>\$ 360,602</u>	<u>\$ 3,785,907</u>

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



BAXTER 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	\$ 658,422	\$ 886,902	\$ 228,480	\$ 1,004,402	\$ 1,162,691	\$ 158,289
Intergovernmental revenues - federal	47,581	61,588	14,007	125,403	116,415	(8,988)
Property taxes	321,560	297,968	(23,592)	709,130	787,110	77,980
Sales taxes	2,465,000	2,492,967	27,967			
Fines, forfeitures and costs	390,800	381,446	(9,354)	27,950	28,843	893
Investment income	64,000	98,500	34,500	22,605	70,851	48,246
Officers' fees	156,300	173,835	17,535	123,000	125,964	2,964
Jail fees	42,500	95,604	53,104			
Hospital lease	600,000	600,000				
Treasurer's commission	150,000	57,638	(92,362)	11,000	19,907	8,907
Collector's commission	170,000	236,434	66,434			
Taxes apportioned - Assessor's salary and expense	577,000	284,179	(292,821)			
Other	487,785	499,765	11,980	259,507	297,345	37,838
<b>TOTAL REVENUES</b>	<b>6,130,948</b>	<b>6,166,826</b>	<b>35,878</b>	<b>2,282,997</b>	<b>2,609,126</b>	<b>326,129</b>
Less: Treasurer's commission	65,500	38,230	27,270	35,550	19,257	16,293
<b>NET REVENUES</b>	<b>6,065,448</b>	<b>6,128,596</b>	<b>63,148</b>	<b>2,247,447</b>	<b>2,589,869</b>	<b>342,422</b>
EXPENDITURES						
Current:						
General government	2,990,358	1,755,815	1,234,543	189,730	124,964	64,766
Law enforcement	2,675,297	2,678,027	(2,730)	86,228	69,196	17,032
Highways and streets		26,224	(26,224)	2,617,877	2,444,665	173,212
Public safety	373,533	378,240	(4,707)	184,996	189,431	(4,435)
Health	62,409	84,871	(22,462)			
Recreation and culture	6,500	6,500		65,746	60,765	4,981
Social services	15,804	68,383	(52,579)			
Total Current	6,123,901	4,998,060	1,125,841	3,144,577	2,889,021	255,556
Capital outlay	422,932	336,257	86,675	306,115	69,720	236,395

BAXTER 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)
EXPENDITURES (Continued)						
Debt service:						
Principal reduction on capital lease					\$ 126,045	\$ (126,045)
Interest imputed on capital lease					44,146	(44,146)
Payment on building purchase		\$ 191,111	\$ (191,111)			
TOTAL EXPENDITURES	<u>\$ 6,546,833</u>	<u>5,525,428</u>	<u>1,021,405</u>	<u>\$ 3,450,692</u>	<u>3,128,932</u>	<u>321,760</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(481,385)</u>	<u>603,168</u>	<u>1,084,553</u>	<u>(1,203,245)</u>	<u>(539,063)</u>	<u>664,182</u>
OTHER FINANCING SOURCES (USES)						
Transfers in		35,123	35,123	728,951	749,868	20,917
Transfers out	(728,951)	(749,868)	(20,917)		(35,123)	(35,123)
Transfers from/to component units		(3,483)	(3,483)			
Donations					3,187	3,187
Sale of assets		7,010	7,010			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(728,951)</u>	<u>(711,218)</u>	<u>17,733</u>	<u>728,951</u>	<u>717,932</u>	<u>(11,019)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(1,210,336)</u>	<u>(108,050)</u>	<u>1,102,286</u>	<u>(474,294)</u>	<u>178,869</u>	<u>653,163</u>
FUND BALANCES - JANUARY 1	<u>1,699,296</u>	<u>2,103,948</u>	<u>404,652</u>	<u>739,482</u>	<u>1,207,353</u>	<u>467,871</u>
FUND BALANCES - DECEMBER 31	<u>\$ 488,960</u>	<u>\$ 1,995,898</u>	<u>\$ 1,506,938</u>	<u>\$ 265,188</u>	<u>\$ 1,386,222</u>	<u>\$ 1,121,034</u>

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

BAXTER 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

Baxter County Library Board – County Ordinance No. 78-48 established the Baxter 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 devises to be used in accordance with Ark. Code Ann. 13-2-404.

Baxter County Regional Airport – The County issued a court order on March 16, 1978 to establish the Baxter County Airport Commission pursuant to Ark. Code Ann. 14-357-101 through 14-357-108.

The component unit discussed below is not included in the County's reporting entity:

Baxter Manor Nursing Home – a long-term care facility, is governed by an independent five member Board of Directors who are appointed by the Baxter County Judge and approved by the Baxter County Court. The Nursing Home receives no funding from the general revenues of Baxter County. The operation of the Nursing Home is supported by the fees charged for long-term care services provided.

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 that are legally restricted to expenditures for specific purposes.

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

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 other than those accounted for in the Proprietary Funds.

General Long-Term Debt - This group of accounts is established to account for all long-term debt of the entity except that accounted for in the Proprietary Funds.

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

1. 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.
2. Donated property consisting of land and equipment in the amounts of \$37,000 and \$1,800, respectively, were added to general fixed assets.
3. Fixed asset purchases for the Component Units, County Library Board and the County Airport Commission, are recorded at cost.

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.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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.

I. Fund Equity

Fund Balance

1. Designated Fund Balance indicates that portion of fund equity for which the entity has made tentative plans.
2. 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 Sheriff's Communication Facilities and Equipment Fund. Formal budgetary policies are not employed for the Fiduciary Fund Types and the Sheriff's Communication Facilities and Equipment 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.

BAXTER COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
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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 for the Governmental and Fiduciary Fund Types:

(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.

(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 Special Revenue Fund heading as it appears in the financial statements includes the following funds: County Road, Public Defender, Support Cost, Boating Safety, Small Claims, Sheriff's Special Projects, Sheriff's Communication Facilities and Equipment, E-911, Recorders Cost, Treasurer's Automation, and Wolf House Fund.

BAXTER 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	\$ 70,168	\$ 58,104
Special Revenue Funds:		
Road	47,887	9,002
Public Defender	477	
Support Cost	226	
Boating Safety	344	9,357
Small Claims	141	
Sheriff's Special Projects	111	
Sheriff's Radio	75	
E-911	4,584	271
Recorder's Cost	9,645	
Treasurer's Automation	71	
Wolf House	73	20,000
Agency Funds:		
Treasurer:		
Collector's Unapportioned	1,657	2,541
State Land	34,785	5,163
Unapportioned Interest		9,970
Collector:		
Current Tax		142
Delinquent personal		3,469
Delinquent real		34,785
Sheriff:		
Fee account		1
County Clerk:		
Fee account		12,056
Circuit Clerk:		
Juvenile Probation		2,198
Municipal Court:		
County Account		2,229
Probation		956
	<u>\$ 170,244</u>	<u>\$ 170,244</u>
Totals	<u>\$ 170,244</u>	<u>\$ 170,244</u>

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

NOTE 7: Component Unit Balances

Fund	December 31, 2000	
	Due from Primary Government	Due to Component Unit
County General		\$ 11,911
County Library	\$ 14,556	
Agency Funds:		
Treasurer:		
Collector's Unapportioned		459
State Land		1,355
Interest		328
Tax Collector:		
Delinquent Personal		503
Totals	<u>\$ 14,556</u>	<u>\$ 14,556</u>

Fund	December 31, 2000	
	Due from Component Unit	Due to Primary Government
County General	\$ 217	
County Library		\$ 217
Totals	<u>\$ 217</u>	<u>\$ 217</u>

NOTE 8: Changes in General Fixed Assets

	Balance January 1, 2000	Additions	Deletions	Balance December 31, 2000
Land and buildings	\$ 4,397,854	\$ 37,000	\$ 1,304	\$ 4,433,550
Improvements	117,081	116,669		233,750
Equipment	8,107,600	624,066	73,338	8,658,328
Totals	<u>\$ 12,622,535</u>	<u>\$ 777,735</u>	<u>\$ 74,642</u>	<u>\$ 13,325,628</u>



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

NOTE 9: Changes in Component Unit Fixed Assets

	Balance January 1, 2000	Additions	Deletions	Balance December 31, 2000
County Library Board: Equipment	\$ 109,714			\$ 109,714
County Airport Commission: Land and buildings	\$ 552,185			\$ 552,185
Improvements	1,809,529			1,809,529
Equipment	53,489	\$ 1,395		54,884
Totals	\$ 2,415,203	\$ 1,395	\$ 0	\$ 2,416,598

NOTE 10: Compensated Absences

Compensated absences do vest or accumulate. Accruals for compensated absences have not been reflected in the accompanying financial statements. The amount accumulated was not material.

NOTE 11: Long-Term Debt

A. General long-term debt at December 31, 2000 is comprised of the following:

	December 31, 2000
Lease-purchase agreement with Mercantile Leasing Corporation on the purchase of one Midland Mode SA Engine powered Road Widener Attachment, annual installments of \$12,195.60 for five (5) years. Payments are to be made from the County Road Fund.	\$ 22,359
Lease-purchase agreement with Mercantile Leasing Corporation on the purchase of one 1900 gallon distributor mounted on one 1997 Ford F800 truck, annual installments of \$20,781.01 for five (5) years. Payments are to be made from the County Road Fund.	38,100
Lease-purchase agreement with Mercantile Leasing Corporation on the purchase of one Caterpillar 963B track type loader, annual installments of \$41,209.71 for five (5) years. Payments are to be made from the County Road Fund.	75,714

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

NOTE 11: Long-Term Debt (Continued)

A. (Continued)

	December 31, 2000
Lease-purchase agreement with Fleet Leasing Corporation on the purchase of E-911 equipment, monthly installments of \$4,891.15 for five (5) years. Payments are to be made from the E-911 Fund.	\$ 210,774
Lease-purchase agreement with Caterpillar Financial Services Corporation on the purchase of two (2) Cat graders, annual installments of \$37,310.38 for three (3) years with a final balloon payment of \$283,000. Payments are to be made from the County Road Fund.	316,687
Contract payable for the purchase of land and buildings. Annual installments of \$191,111 for three (3) years. Payments are to be made from the County General Fund.	191,111
Total Debt	\$ 854,745

B. Long-term debt of the Component Unit – Baxter County Regional Airport at December 31, 2000 is comprised of the following:

	December 31, 2000
Lease-purchase agreement with Baxter Hangar Partnership on the purchase of an airport hangar building, quarterly installments of \$4,225.12 for 80 quarterly payments. Payments are to be made from the Baxter County Regional Airport Fund.	\$ 112,367

NOTE 12: Changes in General Long-Term Debt

The following is a summary of transactions of the County for the year ended December 31, 2000:

	2000
General Long-Term Debt at January 1	\$ 843,439
Additions:	
Capital leases	332,000
Deletions:	
Lease payments	129,583
Installment payments	191,111
General Long-Term Debt at December 31	\$ 854,745

BAXTER COUNTY, ARKANSAS  
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DECEMBER 31, 2000

NOTE 12: Changes in General Long-Term Debt (Continued)

The following is a summary of transactions of the Component Unit – County Airport Commission for the year ended December 31, 2000:

	2000
General Long-Term Debt at January 1	\$ 118,789
Deletions:	
Lease payments	6,422
General Long-Term Debt at December 31	\$ 112,367

NOTE 13: Capital Leases

The County has leased certain equipment which under the Financial Accounting Standards Board Statement No. 13 (FASB 13) are treated as capital leases. These leases by category are as follows:

<u>Class of Property</u>	Asset Balance December 31, 2000
Road equipment	\$ 652,013
E-911 equipment	262,234

The following is a schedule by years of future lease payments still remaining as of December 31, 2000:

<u>Years Ending December 31,</u>	
2001	\$ 170,190
2002	453,139
2003	58,694
2004	53,803
Total Minimum Lease Payments	735,826
Less: Amount representing interest	72,192
Net Lease Payments	\$ 663,634

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

NOTE 13: Capital Leases (Continued)

The County Component Unit - Airport Commission has leased certain equipment which under the Financial Accounting Standards Board Statement No. 13 (FASB) are treated as capital leases. These leases by category are as follows:

<u>Class of Property</u>	<u>Asset Balance December 31, 2000</u>
Airport hangars	\$ 157,000

The following is a schedule by years of future lease payments still remaining as of December 31, 2000:

<u>Years Ending December 31,</u>	
2001	\$ 16,900
2002	16,900
2003	16,900
2004	16,900
2005	16,900
2006	16,900
2007 through 2011	71,827
Minimum Lease Payment	173,227
Less: Amount representing interest	(60,860)
Net Lease Payments	\$ 112,367

NOTE 14: 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 \$33,364,572. There were no tax secured bond issues.

NOTE 15: Designated Fund Balance

Designated fund balance consists of the following as of December 31, 2000:

	<u>December 31, 2000</u>
General Fund - Contingency Fund	\$ 598,182
General Fund - Change Fund	300
General Fund - Petty Cash Fund	750
Subtotal Primary Government	599,232
Library Fund - Petty Cash Fund	300
Total Reporting Entity	\$ 599,532

BAXTER COUNTY, ARKANSAS  
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NOTE 16: Commitments

- A. On March 3, 1998, the Baxter County Quorum Court passed Resolution No. 98-5, which states the Quorum Court's show of support for Baxter County to purchase ASU - Mountain Home properties. According to the resolution, the City of Mountain Home and Baxter County would pay \$860,000 for the three ASU - Mountain Home properties. Baxter County would pay \$573,000 in annual installments of \$191,111 beginning in the year 1999.
- B. On October 12, 1999, the County accepted a bid of \$739,515 from Equity Valuations LLC for the reappraisal of all real estate parcels. The balance due on the contract at December 31, 2000 was \$493,011. The estimated completion date is October 2002.

NOTE 17: 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 lease agreements and adjustments for property donated. 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
General Fund:					
Actual (Exhibit B)	\$ 6,128,596	\$ 5,564,228	\$ (672,418)	\$ 2,103,948	\$ 1,995,898
Plus (Minus) unbudgeted audit adjustments:					
Value of donated property		(38,800)	(38,800)		
Actual (Exhibit C)	<u>\$ 6,128,596</u>	<u>\$ 5,525,428</u>	<u>\$ (711,218)</u>	<u>\$ 2,103,948</u>	<u>\$ 1,995,898</u>
Special Revenue Funds:					
Actual (Exhibit B)	\$ 2,617,153	\$ 3,478,190	\$ 1,049,932	\$ 1,212,239	\$ 1,401,134
Minus unbudgeted funds:					
Sheriff's Communication Facilities and Equipment Fund	(27,284)	(17,258)		(4,886)	(14,912)
Plus (Minus) unbudgeted audit adjustments:					
Value of lease-purchase agreement		(332,000)	(332,000)		
Actual (Exhibit C)	<u>\$ 2,589,869</u>	<u>\$ 3,128,932</u>	<u>\$ 717,932</u>	<u>\$ 1,207,353</u>	<u>\$ 1,386,222</u>

BAXTER COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 18: Revenue Bond Issues

The following revenue bonds were issued for securing and developing industry within Baxter County. The bonds are being retired by a lease-rental plan with the following corporations:

<u>Corporation</u>	<u>Ordinance Authorizing Issuance</u>	<u>Date of Issuance</u>	<u>Original Amount of Bonds Issued</u>	<u>Bonds Outstanding as of December 31, 2000</u>
Aeroquip Corporation	93-53	10/1/93	\$ 7,200,000	\$ 7,200,000
Baxter County Regional Hospital	99-53	5/1/99	79,845,000	79,155,000
Totals			<u>\$ 87,045,000</u>	<u>\$ 86,355,000</u>

The bonds are special obligation bonds of the County and do not constitute an indebtedness of the County within any Constitutional or statutory limitation, but are payable solely from lease-rentals of certain properties, and are secured by a statutory mortgage lien on the same. Accordingly, these bonds are not reflected on the accompanying financial statements.

NOTE 19: Related Party Transactions

During 2000, the County paid \$56,190 to Charles Slater for the preparation of maps for the County. County Surveyor Charles Slater has an investment or holding in Slater Surveying and Mapping. On April 1, 1997, the County approved Ordinance No. 97-23 allowing the County to do business with Slater Surveying and Mapping.

During 2000, the County donated \$15,017 to the Baxter County Regional Airport Commission to be utilized for airport improvements.

NOTE 20: 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.

BAXTER COUNTY, ARKANSAS  
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NOTE 20: Risk Management (Continued)

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 21: 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 \$222,808, \$181,466 and \$179,138, respectively, equal to the required contributions for each year.

BAXTER COUNTY, ARKANSAS  
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NOTE 22: Charitable Remainder Gift to Baxter County

As of June 27, 1996, Baxter County was named as the sole remainderman of an anonymous charitable remainder trust. The trust instrument states: "Upon the date the trust term ends, the Trustee shall distribute all of the income and principal of the ....Trust, other than any amount due to the Donor, to Baxter County, Arkansas, to be used for an emergency center/Emergency 911 Center".

On June 27, 1996, assets with an approximate value of \$513,000 have been delivered to the trustee to fund the gift.

On July 2, 1996, the County Quorum Court passed Resolution No. 96-19, which states "whereas, the Quorum Court passed Resolution No. 96-19, which states "whereas, the Quorum Court recognizes the need to transfer \$500,000 from the Emergency Contingencies Fund to be used toward the building of an emergency operations center/911 center..." and "whereas, when funds become available from the anonymous donor's trust fund, \$500,000 shall be appropriated back into the Emergency Contingencies Fund, with any additional balance remaining to be used for other building projects to be determined by the County Judge and the Quorum Court".

NOTE 23: Installment Contract Payable

The following is a schedule by years of future installment contract payments still remaining as of December 31, 2000:

Year Ending December 31,	Amount
2000	\$ 191,111

NOTE 24: Prior Year Restatement

The financial statements for the prior year included the Component Unit - Baxter Manor Nursing Home, a Proprietary Fund. This fund was excluded from the current year financial statements.