

Baxter County, Arkansas
Financial Statements (Modified Cash Basis)
and Other Reports
December 31, 2001

LEGISLATIVE JOINT AUDITING COMMITTEE



BAXTER COUNTY, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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

FINANCIAL STATEMENTS

	<u>Exhibit</u>
Combined Balance Sheet – Governmental and Fiduciary Fund Types, Account Groups and Discretely Presented Component Units – Modified Cash Basis	A
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund Types and Discretely Presented Component Units – Modified Cash Basis	B
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

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

We have audited the accompanying financial statements of Baxter 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 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 the basis of accounting described in Note 1(C). 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 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 Baxter 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 October 21, 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

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

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
October 21, 2002
LOCO00301

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
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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 financial statements of Baxter County, Arkansas, as of and for the year ended December 31, 2001 and have issued our report thereon dated October 21, 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 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

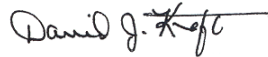
The commentary contained in this section relates to the following officials that held office during 2001:

County Judge: Joe Bodenhamer
Treasurer: Nelda Speaks
Sheriff: Joe Edmonds
Tax Collector: Willa Mae Tilley
County and Circuit Clerk: Rhonda Porter
Airport Manager: Gary Williams
Librarian: Gwen Khayat
District 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 21, 2002

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

Exhibit A

	Governmental Fund Types		Fiduciary Fund Type Agency	Account Groups		Totals (Memorandum Only) Primary Government	Component Unit		Totals (Memorandum Only) Reporting Entity
	General	Special Revenue		General Fixed Assets	General Long- Term Debt	December 31, 2001	County Airport Commission	County Library Board	December 31, 2001
	ASSETS AND OTHER DEBITS								
Cash and cash equivalents	\$ 746,807	\$ 1,033,998	\$ 572,246			\$ 2,353,051	\$ 525,966	\$ 144,655	\$ 3,023,672
Investments (Certificates of deposit)	1,664,519	473,715				2,138,234		265,931	2,404,165
Restricted assets:									
Cash and cash equivalents							56,000		56,000
Land and building				\$ 4,473,257		4,473,257	552,185		5,025,442
Improvements				236,850		236,850	1,809,529		2,046,379
Equipment				8,025,092		8,025,092	53,709	38,703	8,117,504
Construction in progress							36,000		36,000
Amount available in debt service fund							56,000		56,000
Amount to be provided for retirement of general long-term debt					\$ 1,511,624	1,511,624	645,000		2,156,624
TOTAL ASSETS AND OTHER DEBITS	\$ 2,411,326	\$ 1,507,713	\$ 572,246	\$ 12,735,199	\$ 1,511,624	\$ 18,738,108	\$ 3,734,389	\$ 449,289	\$ 22,921,786
LIABILITIES AND FUND EQUITY									
Liabilities:									
Accounts payable	\$ 176,297	\$ 126,854				\$ 303,151		\$ 10,936	\$ 314,087
Payroll taxes payable	721	637				1,358			1,358
Tax settlement pending			\$ 14,820			14,820			14,820
Fee settlement pending	342,033		56,777			398,810			398,810
Bonds, fines and costs pending			185,391			185,391			185,391
Due to other agencies			315,258			315,258			315,258
Lease-purchase agreements payable					\$ 530,731	530,731			530,731
Notes payable					980,893	980,893			980,893
Revenue bonds payable							\$ 701,000		701,000
Total Liabilities	<u>519,051</u>	<u>127,491</u>	<u>572,246</u>		<u>1,511,624</u>	<u>2,730,412</u>	<u>701,000</u>	<u>10,936</u>	<u>3,442,348</u>
Fund Equity:									
Investment in general fixed assets				\$ 12,735,199		12,735,199	2,451,423	38,703	15,225,325
Fund balances:									
Reserved:									
Debt service							56,000		56,000
Unreserved:									
Designated	1,099,232					1,099,232		300	1,099,532
Undesignated	793,043	1,380,222				2,173,265	525,966	399,350	3,098,581
Total Fund Equity	<u>1,892,275</u>	<u>1,380,222</u>		<u>12,735,199</u>		<u>16,007,696</u>	<u>3,033,389</u>	<u>438,353</u>	<u>19,479,438</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 2,411,326	\$ 1,507,713	\$ 572,246	\$ 12,735,199	\$ 1,511,624	\$ 18,738,108	\$ 3,734,389	\$ 449,289	\$ 22,921,786

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

BAXTER 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)	Component Units		Totals (Memorandum Only)
	General	Special Revenue	Primary Government	County Airport Commission	County Library Board	Reporting Entity
			Year Ended December 31, 2001			Year Ended December 31, 2001
REVENUES						
Intergovernmental revenues - state	\$ 882,729	\$ 1,811,495	\$ 2,694,224	\$ 15,863	\$ 133,258	\$ 2,843,345
Intergovernmental revenues - federal	48,434	133,241	181,675			181,675
Property taxes	307,358	591,970	899,328		257,443	1,156,771
Sales taxes	2,505,245		2,505,245			2,505,245
Fines, forfeitures and costs	391,070	29,547	420,617			420,617
Investment income	98,334	70,385	168,719	649	16,905	186,273
Officers' fees	186,984	186,056	373,040			373,040
Jail fees	81,430		81,430			81,430
Hospital lease	600,000		600,000			600,000
Airport fees				61,439		61,439
911 fees		277,440	277,440			277,440
Treasurer's commission	59,356	19,468	78,824			78,824
Collector's commission	233,854	56,772	290,626			290,626
Taxes apportioned - Assessor's salary and expense	295,721		295,721			295,721
Other	528,025	93,350	621,375	696	33,362	655,433
TOTAL REVENUES	6,218,540	3,269,724	9,488,264	78,647	440,968	10,007,879
Less: Treasurer's commission	38,465	50,859	89,324		9,139	98,463
NET REVENUES	6,180,075	3,218,865	9,398,940	78,647	431,829	9,909,416
EXPENDITURES						
Current:						
General government	1,775,825	164,477	1,940,302	61,465	446,467	2,448,234
Law enforcement	2,771,125	81,214	2,852,339			2,852,339
Highways and streets	27,181	2,624,360	2,651,541			2,651,541
Public safety	397,946	271,836	669,782			669,782
Health	88,547		88,547			88,547

BAXTER COUNTY, ARKANSAS
 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

Exhibit B

	Governmental Fund Types		Totals (Memorandum Only)	Component Units		Totals (Memorandum Only)
	General	Special Revenue	Primary Government Year Ended December 31, 2001	County Airport Commission	County Library Board	Reporting Entity Year Ended December 31, 2001
EXPENDITURES (CONTINUED)						
Current: (Continued)						
Recreation and culture	\$ 17,000	\$ 392,182	\$ 409,182			\$ 409,182
Social services	52,704		52,704			52,704
Total Current	5,130,328	3,534,069	8,664,397	\$ 61,465	\$ 446,467	9,172,329
Capital outlay	232,624	1,215,949	1,448,573	36,000		1,484,573
Debt service:						
Principal reduction on capital lease		132,903	132,903	112,367		245,270
Interest imputed on capital lease		37,288	37,288	10,400		47,688
Payment on building purchase	191,111		191,111			191,111
TOTAL EXPENDITURES	5,554,063	4,920,209	10,474,272	220,232	446,467	11,140,971
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	626,012	(1,701,344)	(1,075,332)	(141,585)	(14,638)	(1,231,555)
OTHER FINANCING SOURCES (USES)						
Transfers in		824,023	824,023			824,023
Transfers out	(824,023)		(824,023)			(824,023)
Transfers to component units	(8,450)		(8,450)			(8,450)
Transfers from primary government				8,450		8,450
Proceeds of bank loan		980,893	980,893			980,893
Donations	493,506	4,425	497,931		68,242	566,173
Proceeds from revenue bonds				701,000		701,000
Revenue bond issuance costs				(12,678)		(12,678)
TOTAL OTHER FINANCING SOURCES (USES)	(338,967)	1,809,341	1,470,374	696,772	68,242	2,235,388

BAXTER COUNTY, ARKANSAS
 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

Exhibit B

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>	<u>Component Units</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Primary Government Year Ended December 31, 2001</u>	<u>County Airport Commission</u>	<u>County Library Board</u>	<u>Reporting Entity Year Ended December 31, 2001</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 287,045	\$ 107,997	\$ 395,042	\$ 555,187	\$ 53,604	\$ 1,003,833
FUND BALANCES - JANUARY 1	<u>1,605,230</u>	<u>1,272,225</u>	<u>2,877,455</u>	<u>26,779</u>	<u>346,046</u>	<u>3,250,280</u>
FUND BALANCES - DECEMBER 31	<u>\$ 1,892,275</u>	<u>\$ 1,380,222</u>	<u>\$ 3,272,497</u>	<u>\$ 581,966</u>	<u>\$ 399,650</u>	<u>\$ 4,254,113</u>

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

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

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

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.

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.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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. Fixed asset purchases for the Component Units, County Library Board and the County Airport Commission are recorded at cost.

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

Certificates of deposit are reported at cost.

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.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

H. Budgetary Controls (Continued)

2. Accounting

The County prepared an annual budget on the modified cash 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 Type and the Sheriff's Communication Facilities and Equipment Fund.

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	\$ 7,212,830	\$ 6,218,540	\$ (994,290)	\$ 7,324,922	\$ 5,554,062	\$ 1,770,860
Special Revenue:						
Road	2,940,648	2,144,919	(795,729)	4,103,688	3,871,115	232,573
Public Defender	34,707	27,584	(7,123)	34,580	23,651	10,929
Support Cost	25,200	10,219	(14,981)	15,150	8,143	7,007
Boating Safety	27,081	12,331	(14,750)	15,401	9,564	5,837
Small Claims	14,850	10,525	(4,325)	14,254	14,254	
Sheriff's Special	15,093	4,974	(10,119)	13,870	9,440	4,430
E-911	474,802	302,750	(172,052)	385,789	375,019	10,770
Recorder's Cost	202,860	172,445	(30,415)	175,017	129,084	45,933
Treasurer's						
Automation	23,400	20,846	(2,554)	18,737	16,939	1,798
Wolf House	455,821	474,431	18,610	477,489	392,182	85,307
Sheriff's Drug Fund				7,314	7,314	
Collector's Automation	40,000	56,772	16,772	40,000	37,147	2,853

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:

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 3: Public Fund Deposits and Investments (Continued)

(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, Recorder's Cost, Treasurer's Automation, Wolf House Fund and Collector's Automation.

NOTE 6: Changes in General Fixed Assets

	Balance January 1, 2001	Cash Additions	Deletions	Balance December 31, 2001
Land and Buildings	\$ 4,433,550	\$ 39,708		\$ 4,473,258
Improvements	233,750	3,100		236,850
Equipment	8,658,328	1,405,765	\$ 2,039,002	8,025,091
Totals	<u>\$ 13,325,628</u>	<u>\$ 1,448,573</u>	<u>\$ 2,039,002</u>	<u>\$ 12,735,199</u>

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 7: Changes in Component Unit Fixed Assets

	Balance January 1, 2001	Cash Additions	Deletions	Balance December 31, 2001
County Library Board:				
Equipment	\$ 109,714	\$ 0	\$ 71,011	\$ 38,703
County Airport Commission:				
Land and buildings	\$ 552,185			\$ 552,185
Improvements	1,809,529			1,809,529
Construction in progress		\$ 36,000		36,000
Equipment	54,884		\$ 1,175	53,709
Totals	<u>\$ 2,416,598</u>	<u>\$ 36,000</u>	<u>\$ 1,175</u>	<u>\$ 2,451,423</u>

NOTE 8: 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 9: Long-Term Debt

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

	December 31, 2001
Promissory note with Trustbank in the amount of \$980,893. Proceeds were used to purchase road equipment. Annual installments of \$227,115.12 for five (5) years. Payments are to be made from the County Road Fund.	\$ 980,893
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.	11,505
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.	19,605
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.	38,933
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.	160,329

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 9: Long-Term Debt (Continued)

A. (Continued)

	December 31, 2001
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.	<u>\$ 300,359</u>
Total Debt	<u><u>\$ 1,511,624</u></u>

B. Long-term debt of the Component Unit - Baxter County Regional Airport, at December 31, 2001, is comprised of the following:

	December 31, 2001
Baxter County, Arkansas Airport Revenue Bonds, Series 2001, for the construction of airport hangars and retirement of an existing debt on an airport hangar, due in quarterly installments of \$3,924 to \$17,085 plus interest through January, 2022; interest rate of 5%. Payments are to be made from the Baxter County Regional Airport Fund.	<u>\$ 701,000</u>

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	\$ 854,745
Additions:	
Promissory note	980,893
Deletions:	
Lease payments	132,903
Installment payments	<u>191,111</u>
General Long-Term Debt at December 31	<u><u>\$ 1,511,624</u></u>

The following is a summary of transactions of the Component Unit - County Airport Commission for the year ended December 31, 2001:

General Long-Term Debt at January 1	\$ 112,367
Additions: Revenue Bonds	701,000
Deletions: Lease payments	<u>112,367</u>
General Long-Term Debt at December 31	<u><u>\$ 701,000</u></u>

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 11: Debt Service Requirements to Maturity – Component Unit Airport

Annual requirements to amortize outstanding bonded debt are as follows:

<u>Years Ending December 31,</u>	<u>December 31, 2001</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 14,340	\$ 27,397	\$ 41,737
2003	21,721	33,929	55,650
2004	22,803	32,847	55,650
2005	24,012	31,638	55,650
2006	25,212	30,437	55,649
2007 through 2022	<u>592,912</u>	<u>259,133</u>	<u>852,045</u>
Totals	<u>\$ 701,000</u>	<u>\$ 415,381</u>	<u>\$ 1,116,381</u>

The reserve in the Airport Debt Service Fund is \$56,000 as of December 31, 2001.

The County is in compliance with all significant limitations and restrictions contained in various bond indentures.

NOTE 12: Capital Leases

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

<u>Class of Property</u>	<u>Asset Balance December 31, 2001</u>
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, 2001:

<u>Years Ending December 31,</u>	
2002	\$ 453,139
2003	58,694
2004	<u>53,803</u>
Total Minimum Lease Payments	565,636
Less: Amount representing interest	<u>(34,905)</u>
Net Lease Payments	<u>\$ 530,731</u>

NOTE 13: 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 \$37,133,622. There were no property tax secured bond issues.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 14: Designated Fund Balance

Designated fund balance consists of the following as of December 31, 2001:

	December 31, 2001
General Fund - Contingency Fund	\$ 1,098,182
General Fund - Change Fund	300
General Fund - Petty Cash Fund	750
Subtotal Primary Government	1,099,232
Library Fund - Petty Cash Fund	300
Total Reporting Entity	\$ 1,099,532

NOTE 15: Commitments

- A. On October 12, 1999, the County accepted a bid of \$739,515 from Equity Valuation LLC for the reappraisal of all real estate parcels. The balance due on the contract at December 31, 2001 was \$246,507. The estimated completion date is October 2002.
- B. On November 13, 2001, the County accepted a bid of \$397,962 from FBR Company for the construction of two (2) airport hangars. The estimated completion date is November 2002.

NOTE 16: 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:

Corporation	Ordinance Authorizing Issuance	Date of Issuance	Original Amount of Bonds Issued	Bonds Outstanding as of December 31, 2001
Aeroquip Corporation	93-53	10/01/93	\$ 7,200,000	\$ 7,200,000
Baxter County Regional Hospital	99-53	05/01/99	79,845,000	79,330,000
Totals			\$ 87,045,000	\$ 86,530,000

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 17: Subsequent Events

On March 15, 2002, the County issued \$3,240,000 of Capital Improvement Hospital Lease Revenue Bonds with interest rates ranging from 2.90 to 4.70 percent. The bond proceeds will be used to finance the construction of a new jail.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 18: Related Party Transactions

During 2001, the County paid \$43,525 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 2001, the County donated \$15,984 to the Baxter County Regional Airport Commission to be utilized for airport improvements.

NOTE 19: 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.

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 20: 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 \$277,905, \$222,808 and \$181,467, respectively, equal to the required contributions for each year.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 21: 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. That 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 had 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 Contingency 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 Quorum Court".

During 2001, the County received \$493,506 from the trustee. The County then appropriated \$500,000 back into the Emergency Contingency Fund using the charitable remainder trust as well as additional carry-over funds.