

Baxter County, Arkansas

**Regulatory Basis Financial Statements (Modified Cash Basis),
Supplemental Information and Other Reports**

December 31, 2004

LEGISLATIVE JOINT AUDITING COMMITTEE



BAXTER COUNTY, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

FINANCIAL STATEMENTS

	<u>Exhibit</u>
Combined Balance Sheet – Regulatory Presentation – Modified Cash Basis	A
Combined Statement of Receipts, Disbursements and Changes in Fund Balances – Regulatory Presentation – Modified Cash Basis	B
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – General and Road Funds – Regulatory Presentation – Modified Cash Basis	C
Notes to Financial Statements	

OTHER SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Schedule of Capital Assets (Unaudited)	1

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverly
Senate Co-Vice Chair
Rep. Sandra Prater
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the general fund, road fund, and other funds in the aggregate of Baxter County, Arkansas, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Baxter County, Arkansas, as of December 31, 2004, or the changes in financial position or cash flows, where applicable, thereof for the year then ended. Further, the County has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

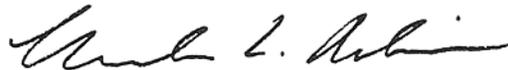
The financial statements referred to above do not disclose all the required information concerning deposits which should be included in order to conform with the basis of accounting described in Note 1(C).

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the general fund, road fund, and other funds in the aggregate of Baxter County, Arkansas, as of December 31, 2004, and the respective changes in the modified cash basis financial position, and the budgetary results for the general and road funds for the basis of accounting as described in Note 1(C).

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2006 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

DIVISION OF LEGISLATIVE AUDIT



Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
February 2, 2006
LOCO00304

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverty
Senate Co-Vice Chair
Rep. Sandra Prater
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

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

We have audited the accompanying financial statements of the general fund, road fund, and other funds in the aggregate of Baxter County, Arkansas, as of and for the year ended December 31, 2004 and have issued our report thereon dated February 2, 2006. In our report, our opinions on the general fund, road fund, and other funds in the aggregate were qualified because required disclosures were not made concerning deposits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Other Issues

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

The commentary contained in this section relates to the following officials that held office during 2004:

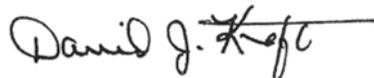
County Judge: Joe Bodenhamer
Succeeded by: Sue Newton on June 14, 2004
Treasurer: Nelda Speaks
Sheriff: Joe Edmonds
Tax Collector: Willa Mae Tilley
County and Circuit Clerk: Rhonda Porter
District Court Clerk: Linda Shaffer

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

The Sheriff's Commissary Fund did not settle all fees belonging to the County on the first of each month or within five (5) working days as required by Ark. Code Ann. 26-39-201. This could preclude the governing body from making informed decisions since all revenues were not being recorded on a timely basis.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local County government, state executive and oversight management, the federal awarding agencies and pass-through entities, if applicable, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Arkansas Code Annotated §10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT



David J. Kraft, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
February 2, 2006

BAXTER COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - REGULATORY PRESENTATION - MODIFIED CASH BASIS
 DECEMBER 31, 2004

Exhibit A

	General	Road	Other Funds In The Aggregate
ASSETS			
Cash and cash equivalents	\$ 3,472,915	\$ 405,330	\$ 3,245,767
LIABILITIES AND FUND BALANCES			
Liabilities:			
Settlements pending	\$ 469,119		\$ 517,342
Fund Balances:			
Reserved		\$ 405,330	2,728,425
Unreserved:			
Undesignated	3,003,796		
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,472,915	\$ 405,330	\$ 3,245,767

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

BAXTER COUNTY, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 REGULATORY PRESENTATION - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Exhibit B

	General	Road	Other Funds In The Aggregate
RECEIPTS			
State aid	\$ 813,570	\$ 1,470,032	\$ 347,606
Federal aid	37,366	178,166	393,876
Property taxes	286,006	723,593	341,373
Sales taxes	2,823,421		
Fines, forfeitures and costs	382,721		38,438
Interest	21,296	2,067	43,396
Officers' fees	202,026		318,298
E-911 fees			316,674
Donations			59,812
Alternative school fees			291,582
Jail fees	61,692		15,611
Hospital lease	241,513		358,487
Airport fees			104,463
Treasurer's commission	59,520		22,686
Collector's commission	220,699		68,491
Taxes apportioned - Assessor's salary and expense	348,666		
Other	209,109	141,192	117,456
	5,707,605	2,515,050	2,838,249
TOTAL RECEIPTS			
Less: Treasurer's commission	35,325	46,371	30,116
	5,672,280	2,468,679	2,808,133
NET RECEIPTS			
DISBURSEMENTS			
Current:			
General government	2,101,274		470,231
Law enforcement	2,602,030		1,878,001
Highways and streets	31,956	2,777,139	
Public safety	409,983		640,468
Health	41,587		
Recreation and culture	3,500		502,643
Social services	51,493		
Total Current	5,241,823	2,777,139	3,491,343
Debt service:			
Bond principal			227,803
Bond interest and other charges			163,460
Lease principal			47,731
Lease interest			1,692
Note principal		197,697	
Note interest		29,419	
	5,241,823	3,004,255	3,932,029
TOTAL DISBURSEMENTS			
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	430,457	(535,576)	(1,123,896)

BAXTER COUNTY, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 REGULATORY PRESENTATION - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Exhibit B

	General	Road	Other Funds In The Aggregate
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 112,297	\$ 588,903	\$ 62,701
Transfers out	(606,098)	(47,561)	(110,242)
Sale of nursing home	1,658,918		
TOTAL OTHER FINANCING SOURCES (USES)	1,165,117	541,342	(47,541)
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	1,595,574	5,766	(1,171,437)
FUND BALANCES - JANUARY 1,	1,408,222	399,564	3,899,862
FUND BALANCES - DECEMBER 31	\$ 3,003,796	\$ 405,330	\$ 2,728,425

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

BAXTER COUNTY, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND ROAD FUNDS - REGULATORY PRESENTATION - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
State aid	\$ 623,295	\$ 813,570	\$ 190,275	\$ 1,350,000	\$ 1,470,032	\$ 120,032
Federal aid	31,552	37,366	5,814	163,500	178,166	14,666
Property taxes	301,700	286,006	(15,694)	671,225	723,593	52,368
Sales taxes	2,735,000	2,823,421	88,421			
Fines, forfeitures and costs	383,550	382,721	(829)			
Interest	24,975	21,296	(3,679)	6,500	2,067	(4,433)
Officers' fees	172,800	202,026	29,226			
Jail fees	45,000	61,692	16,692			
Hospital lease	241,512	241,513	1			
Treasurer's commission	195,000	59,520	(135,480)			
Collector's commission	555,500	220,699	(334,801)			
Taxes apportioned - Assessor's salary and expense	309,000	348,666	39,666			
Other	242,698	209,109	(33,589)	69,000	141,192	72,192
TOTAL RECEIPTS	5,861,582	5,707,605	(153,977)	2,260,225	2,515,050	254,825
Less: Treasurer's commission		35,325	(35,325)		46,371	(46,371)
NET RECEIPTS	5,861,582	5,672,280	(189,302)	2,260,225	2,468,679	208,454
DISBURSEMENTS						
Current:						
General government	2,454,686	2,101,274	353,412			
Law enforcement	2,675,204	2,602,030	73,174			
Highways and streets		31,956	(31,956)	3,037,180	2,777,139	260,041
Public safety	437,218	409,983	27,235			
Health	131,500	41,587	89,913			
Recreation and culture		3,500	(3,500)			
Social services	63,194	51,493	11,701			
Total Current	5,761,802	5,241,823	519,979	3,037,180	2,777,139	260,041

BAXTER COUNTY, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND ROAD FUNDS - REGULATORY PRESENTATION - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
DISBURSEMENTS (CONTINUED)						
Debt service:						
Note principal					\$ 197,697	\$ (197,697)
Note interest					29,419	(29,419)
TOTAL DISBURSEMENTS	\$ 5,761,802	\$ 5,241,823	\$ 519,979	\$ 3,037,180	3,004,255	32,925
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	99,780	430,457	330,677	(776,955)	(535,576)	241,379
OTHER FINANCING SOURCES (USES)						
Transfers in		112,297	112,297	540,292	588,903	48,611
Transfers out	(588,903)	(606,098)	(17,195)		(47,561)	(47,561)
Sale of nursing home		1,658,918	1,658,918			
TOTAL OTHER FINANCING SOURCES (USES)	(588,903)	1,165,117	1,754,020	540,292	541,342	1,050
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(489,123)	1,595,574	2,084,697	(236,663)	5,766	242,429
FUND BALANCES - JANUARY 1,	1,195,000	1,408,222	213,222	250,000	399,564	149,564
FUND BALANCES - DECEMBER 31	\$ 705,877	\$ 3,003,796	\$ 2,297,919	\$ 13,337	\$ 405,330	\$ 391,993

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

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1: Summary of Significant Accounting Policies

As discussed further in Note 1(B), these financial statements are presented in accordance with the regulatory basis of presentation as prescribed by Arkansas state law. The County maintains its records on a modified cash basis of accounting, as discussed in Note 1(C). This regulatory basis of presentation and modified basis of accounting differ from accounting principles generally accepted in the United States of America.

A. Financial Reporting Entity

The County is a political subdivision of the state governed by an elected quorum court. The reporting entity includes all the funds of the County.

B. Basis of Presentation – Regulatory Fund Accounting

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

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

General Fund - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund heading as it appears in the financial statements includes the following funds: General Fund and Baxter County Nursing Home Fund.

Road Fund - The Road Fund is used to account for the proceeds of specific receipt sources that are legally restricted to disbursements for maintaining and constructing county roads.

Other Funds in the Aggregate - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Road Funds. The following types of funds are included in this column as follows:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific receipt sources that are legally restricted to disbursements for specific purposes. The following special revenue funds are reported with other funds in the aggregate: County Library, Baxter County Regional Airport, Public Defender, Support Cost, Boating Safety, Small Claims, Sheriff's Special, Sheriff's Communication Facilities and Equipment, E-911, Recorder's Cost Fund, Treasurer's Automation, Wolf House, Grant Funds, West Nile Virus, Collector's Automation, Juvenile Services, Special Jail Fees, Court Automation, Homeland Security, Animal Control and Sheriff's Drug Fund.

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. The following capital project fund is reported with other funds in the aggregate: Jail Construction Fund.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The following debt service funds are reported with other funds in the aggregate: County Jail Debt Service Fund and Airport Debt Service Fund.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Other Funds in the Aggregate (Continued)

Agency Funds - Agency Funds are used to account for assets held by the entity as an agent for individuals, private organizations, other governmental units, and other funds. The following agency funds are reported with other funds in the aggregate: Treasurer (Property Tax Relief, Collector's Unapportioned, Unapportioned Interest, City of Norfolk and Law Library), Collector (Current Taxes and Delinquent Taxes), Sheriff (Fee, Bond and Fine, Circuit Bond, Seizure and Commissary), County and Circuit Clerk (County Clerk's Fee and County Clerk's Trust), Juvenile Probation (Fee) and District Court (District Court County and District Court Probation).

C. Basis of Accounting

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

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

D. Assets, Liabilities and Fund Balances

Cash and Cash Equivalents

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

Liabilities

For the purpose of financial reporting, liabilities include settlements pending. Settlements pending are considered fines, forfeitures, costs, interest, and officers' fees that have not been transferred to the appropriate entities.

Equity Classification

Fund Balance

1. Reserved Fund Balance indicates that portion of fund balance, which has been legally segregated for specific purposes.
2. Undesignated Fund Balance indicates that portion of fund balance which is available for budgeting in future periods.

E. Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 10.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budget Law

1. Legal Requirements

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

2. Accounting

The County prepared an annual budget on the modified cash basis for the General Fund, Road Fund and the other Special Revenue Funds except for the Sheriff's Communication Facilities and Equipment Fund and Sheriff's Drug Fund.

NOTE 2: Cash

Custodial credit risk information for deposits relating to whether deposits are insured or secured with collateral has not been provided.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

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

NOTE 4: Legal Debt Limit - Tax Secured Bond Issues

The County is subject to a constitutional limitation for bonded indebtedness equal to ten percent (10%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2004, the legal debt limit for the County was \$43,420,049. There were no property tax secured bond issues.

NOTE 5: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2004
<u>Road</u>	\$ 405,330
<u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
County Library	\$ 680,374
County Airport	190,169
Public Defender	68,028
Support Cost	28,325
Boating Safety	10,328
Small Claims	3,378
Sheriff's Special	16,610
Sheriff's Communication Facilities and Equipment	14,091

BAXTER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

NOTE 5: Reserved Fund Balance (Continued)

	December 31, 2004
<u>Other Funds in the Aggregate (Continued)</u>	
Special Revenue Funds: (Continued)	
E-911	\$ 125,101
Recorder's Cost	481,821
Treasurer's Automation	21,140
Wolf House	14,233
Grants	30,831
West Nile Virus	6,878
Collector's Automation	113,235
Juvenile Services	15,536
Special Jail Fees	16,720
Court Automation	11,839
Homeland Security	78
Animal Control	25,742
Sheriff's Drug Fund	3,333
Total Special Revenue	1,877,790
Capital Projects:	
Jail Construction	203,317
Debt Service:	
County Jail Debt Service	647,318
Total Other Funds in the Aggregate	\$ 2,728,425

NOTE 6: Commitments

Total commitments consist of the following at December 31, 2004:

	December 31, 2004
General Long-Term Debt	\$ 3,256,884
Airport Long-Term Debt	642,137
 TOTAL COMMITMENTS	 \$ 3,899,021

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 6: Commitments (Continued)

Long-Term Debt

Long-Term Debt at December 31, 2004 is comprised of the following:

	December 31, 2004
Bonded indebtedness titled Baxter County, Arkansas - Capital Improvement Hospital Lease Revenue Bonds (Jail Expansion Project) in the amount of \$3,240,000. These bonds were issued for the purpose of acquiring, constructing and equipping an expansion to the County Jail. The bonds shall be payable from the hospital lease revenues received by the County. This bond issue will pay out in the year 2012. Payments are to be made from the Debt Service Fund.	\$ 2,880,000
Promissory note with Trustbanc (Liberty Bank) in the amount of \$980,893. Proceeds were used to purchase road equipment. Annual installments of \$227,115 for five (5) years. Payments are to be made from the County Road Fund.	376,884
Bonded indebtedness titled Baxter County, Arkansas - Airport Revenue Bonds in the amount of \$701,000. These bonds were issued for the purpose of refunding the lease-purchase contract for airport hangars and the construction of additional airport hangars. The bonds shall be payable from airport hangar revenues by the Airport Commission.	642,137
TOTAL LONG-TERM DEBT	\$ 3,899,021

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

Compensated Absences

Compensated absences do vest or accumulate. The amount of compensated absences was not determined.

Debt Service Requirements to Maturity

The County is obligated for the following amounts:

Years Ending December 31,	Bonds	Notes	Total
2005	\$ 438,562	\$ 227,115	\$ 665,677
2006	489,462	177,722	667,184
2007	497,463		497,463
2008	498,862		498,862
2009	498,774		498,774
2010 through 2014	1,629,373		1,629,373
2015 through 2019	278,249		278,249
2020 through 2024	128,599		128,599
Total Obligations	4,459,344	404,837	4,864,181
Less Interest	937,207	27,953	965,160
Total Principal	\$ 3,522,137	\$ 376,884	\$ 3,899,021

BAXTER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

NOTE 7: 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, 2004
Aeroquip Corporation	93-53	10/01/93	\$ 7,200,000	\$ 7,200,000
Baxter County Regional Hospital	99-53	05/01/99	<u>79,845,000</u>	<u>75,690,000</u>
Totals			<u>\$ 87,045,000</u>	<u>\$ 82,890,000</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.

NOTE 8: Related Party Transactions

During 2004, the County paid \$54,794 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 Mapping.

NOTE 9: Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

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

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

General Liability Program – The program shall provide legal defense in civil rights suits against the county government of a participating county and pay judgments imposed on county officials and employees and the county government and county-formed boards and commissions. Coverage is limited to \$350,000 per case with an annual aggregate of \$350,000. The county agrees to pay into the program each year a charge of 60 cents per capita. Each county also agrees to pay the first \$2,000 of the aggregate cost for all expenses on each lawsuit. The County may participate in the Secondary Loss Fund that provides additional coverage.

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.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 10: Arkansas Public Employees Retirement System

Plan Description. The County contributes to the Arkansas Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. PERS has contributory and non-contributory plans. Contributory members are required by code to contribute 6% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation.

BAXTER COUNTY, ARKANSAS
 OTHER SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2004
 (Unaudited)

Schedule 1

	December 31, 2004
A. <u>General Fixed Assets</u>	
Land and Buildings	\$ 7,635,113
Improvements	298,254
Equipment	8,537,957
Total	16,471,324
B. <u>Library Fixed Assets</u>	
Equipment	20,246
C. <u>Airport Fixed Assets</u>	
Land and Buildings	1,202,481
Improvements	1,839,269
Equipment	38,758
Total	3,080,508
Total Reporting Entity	\$ 19,572,078