

Baxter County, Arkansas
Financial Statements (Modified Cash Basis)
and Other Reports
December 31, 2003

LEGISLATIVE JOINT AUDITING COMMITTEE



BAXTER COUNTY, ARKANSAS
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Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverty
Senate Co-Vice Chair
Rep. David Evans
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, 2003, 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, 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, 2003, or the receipts and disbursements for the year then ended.

in accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2005 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Baxter County, Arkansas. The supplementary information in the Schedule of Fixed Assets listed in the table of contents as Schedule 1 is presented for the purpose of additional analysis, but it is neither a required part of the financial statements nor supplementary information required by the Governmental Accounting Standards Board. We have not applied auditing procedures to this information and, accordingly, express no opinion on the Schedule of Fixed Assets.

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
March 3, 2005
LOCO00303

Sen. Henry "Hank" Wilkins, IV
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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, 2003 and have issued our report thereon dated March 3, 2005. 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. 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.

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 below relating to inadequate segregation of duties to be a material weakness.

All county officials, as specified in the Other Management Issues section of this report except for the County Judge, had inadequate control over receipting, depositing, disbursing, and recording cash transactions because of insufficient segregation of duties. Inadequate segregation of duties could result in a misappropriation of assets, which could have a material effect on the financial statements.

All county officials, as specified in the Other Management Issues section of this report, responded and indicated that their offices will segregate the duties of receipting, depositing, disbursing, and recording cash transactions to the extent possible with the current staffing levels.

Cash count procedures for the **Sheriff's Drug-Buy Fund** on December 14, 2004 revealed a cash shortage of \$3,333. This fund was the responsibility of former Criminal Investigator Curtis Sinor, who had complete control of the accounting process with little or no management oversight. On December 17, 2004, Curtis Sinor paid \$3,333 to the **Sheriff's Drug Buy-Fund**.

The Sheriff responded that controls are currently being implemented to provide administrative oversight and verification of all cash drug-buy funds.

Other Management Issues

The following issues are not reportable conditions, 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 2003:

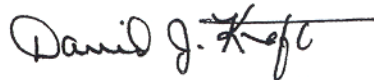
County Judge: Joe Bodenhamer
Treasurer: Nelda Speaks
Sheriff: Joe Edmonds
Tax Collector: Willa Mae Tilley
County and Circuit Clerk: Rhonda Porter
District Court Clerk: Linda Shaffer
County Librarian: Gwen Khayat
Juvenile Services Director: Cheryl Green
Airport Manager: Gary Williams

Our audit procedures indicated that the offices of **County Judge, Treasurer, Tax Collector, County and Circuit Clerk, District Court Clerk, County Librarian, Juvenile Services Director** and **Airport Manager** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and generally accepted accounting practices were noted in the office of **County Sheriff** and are reported below:

The **Sheriff's Office** did not maintain accountability over the Inmate Trust Fund. Computerized receipts were not maintained in an orderly manner and were not deposited on a timely basis. Cash receipt and disbursement journals were not maintained. The Inmate Trust Fund bank account was not reconciled, monthly settlements were not made to the County Treasurer and monies received were not properly coded on the receipts as cash or check. Bookkeeping responsibilities were assigned to employees who did not have proper training in bookkeeping procedures. Because of these deficiencies, the remaining balance due inmates was not identified.

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
March 3, 2005

BAXTER COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS -
 MODIFIED CASH BASIS
 DECEMBER 31, 2003

Exhibit A

	Governmental Fund Types				Fiduciary Fund Type Agency	Totals (Memorandum Only)	Component Units		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		Primary Government	County Airport Commission	County Library Board	Reporting Entity
						December 31, 2003			December 31, 2003
ASSETS									
Cash and cash equivalents	\$ 1,828,273	\$ 1,335,172	\$ 614,783	\$ 1,530,228	\$ 504,660	\$ 5,813,116	\$ 128,480	\$ 632,126	\$ 6,573,722
Restricted assets:									
Cash and cash equivalents							58,637		58,637
TOTAL ASSETS	\$ 1,828,273	\$ 1,335,172	\$ 614,783	\$ 1,530,228	\$ 504,660	\$ 5,813,116	\$ 187,117	\$ 632,126	\$ 6,632,359
LIABILITIES AND FUND EQUITY									
Liabilities:									
Settlements pending	\$ 420,051				\$ 504,660	\$ 924,711			\$ 924,711
Fund Equity:									
Fund balances:									
Reserved:									
Debt service			\$ 614,783			614,783	\$ 58,637		673,420
Unreserved:									
Designated	351,050					351,050		\$ 300	351,350
Undesignated	1,057,172	\$ 1,335,172		\$ 1,530,228		3,922,572	128,480	631,826	4,682,878
Total Fund Equity	1,408,222	1,335,172	614,783	1,530,228		4,888,405	187,117	632,126	5,707,648
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,828,273	\$ 1,335,172	\$ 614,783	\$ 1,530,228	\$ 504,660	\$ 5,813,116	\$ 187,117	\$ 632,126	\$ 6,632,359

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

BAXTER COUNTY, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Exhibit B

	Governmental Fund Types				Totals (Memorandum Only)	Component Units		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Primary Government	County Airport Commission	County Library Board	Reporting Entity
					Year Ended December 31, 2003			Year Ended December 31, 2003
RECEIPTS								
State aid	\$ 663,398	\$ 1,641,847			\$ 2,305,245	\$ 194,110	\$ 99,227	\$ 2,598,582
Federal aid	31,994	363,009			395,003			395,003
Property taxes	333,671	691,122			1,024,793		295,525	1,320,318
Sales taxes	2,687,761				2,687,761			2,687,761
Fines, forfeitures and costs	384,058	38,613			422,671			422,671
Interest	33,646	23,675	\$ 12,160	\$ 79,500	148,981	1,172	8,609	158,762
Officers' fees	184,295	315,819			500,114			500,114
911 fees		272,660			272,660			272,660
Jail fees	98,440				98,440			98,440
Hospital lease	288,690		311,310		600,000			600,000
Airport fees						70,034		70,034
Donations							263,526	263,526
Treasurer's commission	61,337	21,440			82,777			82,777
Collector's commission	228,224	64,828			293,052			293,052
Taxes apportioned - Assessor's salary and expense	300,307				300,307			300,307
Other	156,866	359,789			516,655	26,658	41,020	584,333
TOTAL RECEIPTS	5,452,687	3,792,802	323,470	79,500	9,648,459	291,974	707,907	10,648,340
Less: Treasurer's commission	36,925	59,376			96,301		8,576	104,877
NET RECEIPTS	5,415,762	3,733,426	323,470	79,500	9,552,158	291,974	699,331	10,543,463
DISBURSEMENTS								
Current:								
General government	1,790,556	223,438			2,013,994	210,204		2,224,198
Law enforcement	2,555,592	428,797		241	2,984,630			2,984,630
Highways and streets	28,389	2,870,499			2,898,888			2,898,888
Public safety	426,562	344,177			770,739			770,739
Health	76,610				76,610			76,610
Recreation and culture	23,500	6,070			29,570		484,584	514,154
Social services	44,308				44,308			44,308
Total Current	4,945,517	3,872,981		241	8,818,739	210,204	484,584	9,513,527

BAXTER COUNTY, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Exhibit B

	Governmental Fund Types				Totals (Memorandum Only)	Component Units		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Primary Government	County Airport Commission	County Library Board	Reporting Entity
					Year Ended December 31, 2003			Year Ended December 31, 2003
DISBURSEMENTS (Continued)								
Capital outlay				\$ 1,730,005	\$ 1,730,005			\$ 1,730,005
Debt service:								
Bond principal			\$ 155,000		155,000	\$ 21,721		176,721
Bond interest and fiscal charges			135,054		135,054	33,929		168,983
Lease principal	\$ 55,037				55,037			55,037
Lease interest	3,657				3,657			3,657
Note principal	188,067				188,067			188,067
Note interest	39,048				39,048			39,048
TOTAL DISBURSEMENTS	\$ 4,945,517	4,158,790	290,054	1,730,246	11,124,607	265,854	\$ 484,584	11,875,045
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	470,245	(425,364)	33,416	(1,650,746)	(1,572,449)	26,120	214,747	(1,331,582)
OTHER FINANCING SOURCES (USES)								
Transfers in	38,063	564,879		241	603,183			603,183
Transfers out	(565,120)	(38,063)			(603,183)			(603,183)
TOTAL OTHER FINANCING SOURCES (USES)	(527,057)	526,816		241	0			0
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(56,812)	101,452	33,416	(1,650,505)	(1,572,449)	26,120	214,747	(1,331,582)
FUND BALANCES - JANUARY 1	1,465,034	1,233,720	581,367	3,180,733	6,460,854	160,997	417,379	7,039,230
FUND BALANCES - DECEMBER 31	<u>\$ 1,408,222</u>	<u>\$ 1,335,172</u>	<u>\$ 614,783</u>	<u>\$ 1,530,228</u>	<u>\$ 4,888,405</u>	<u>\$ 187,117</u>	<u>\$ 632,126</u>	<u>\$ 5,707,648</u>

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

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

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.

Complete financial information may be obtained from the Baxter County Library at 424 West 7th Street, Mountain Home, AR 72653, the Baxter County Regional Airport at 6462 Hwy 126 North, Midway, AR 72651 and the County Treasurer at the courthouse.

The component unit discussed below is not included in the County's financial statements:

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 Quorum 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.

Complete financial information may be obtained for the Baxter Manor Nursing Home at the County Judge's Office, #1 East 7th Street, Mountain Home, Arkansas 72653.

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. The following types of funds 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 receipt sources (other than major capital projects) that are legally restricted to disbursements for specific purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Fund Accounting

Fiduciary Fund

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.

C. Basis of Accounting

Basis of accounting refers to when receipts and disbursements 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. Receipts are recognized when collected rather than when earned. Disbursements are recognized when disbursed, except for settlements pending.

D. 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.

E. 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.

F. 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 disbursements of county government (General and Special Revenue Funds) for the following year. The Quorum Court may make appropriation amendments at any time during the current fiscal year. Appropriations lapse at the end of each year. Under certain conditions, the budget may be amended subsequent to the year-end.

2. Accounting

The County prepared an annual budget on the modified cash basis for the General Fund and all the Special Revenue Funds except for the Sheriff's Communication Facilities and Equipment Fund, Special Jail Fees and the Sheriff's Drug Fund. Formal budgetary policies are not employed for the Fiduciary Fund Types and the Capital Projects Fund and the Debt Service Fund.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budgetary Controls

2. Accounting (Continued)

The following table reflects budget versus actual comparisons by fund for the year ended December 31, 2003:

Fund	Budgeted Receipts and Other Sources	Actual Receipts and Other Sources	Excess	Appropriations	Actual Disbursements and Other Uses	Excess
General	\$ 5,685,857	\$ 5,490,750	\$ (195,107)	\$ 6,156,273	\$ 5,510,637	\$ 645,636
Special Revenue:						
Road	2,687,450	3,026,053	338,603	3,203,388	3,134,059	69,329
Recorder's Cost	220,500	279,560	59,060	239,455	168,814	70,641
Support Cost	9,120	8,429	(691)	19,650	3,469	16,181
Treasurer's Automation	20,500	22,040	1,540	26,584	23,151	3,433
Sheriff's Special Projects	2,105	1,061	(1,044)	14,194	5,121	9,073
Small Claims	9,335	8,392	(943)	10,739	10,739	
Homeland Security	433,508	180,088	(253,420)	433,508	75,733	357,775
Public Defender	20,240	25,875	5,635	17,850	14,911	2,939
Boating Safety	14,900	17,353	2,453	19,121	15,942	3,179
E-911	268,000	283,141	15,141	385,930	321,770	64,160
Wolf House		405	405	19,610	6,070	13,540
Collector's Automation	56,000	65,434	9,434	50,000	28,004	21,996
West Nile				13,077	6,199	6,878
Grants Fund	462,352	370,542	(91,810)	462,352	335,744	126,608
Juvenile Service	16,650	20,240	3,590	15,943	15,542	401
Court Automation		6,557	6,557	5,000	1,468	3,532
Sheriff's						
Communication		30,531	30,531		23,354	(23,354)
Sheriff's Drug Fund		8,000	8,000		6,763	(6,763)
Special Jail Fees		3,980	3,980			

G. 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. Certificates of deposit and treasury bills are also classified as cash equivalents because of their highly liquid nature.

NOTE 2: Memorandum Totals

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

BAXTER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2003

NOTE 3: Public Fund Deposits

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:

Information disclosing whether deposits are:

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

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, Collector's Automation, West Nile, Juvenile Probation, Grants Fund, Sheriff's Drug Fund, Special Jail Fees, Court Automation and Homeland Security.

NOTE 6: 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, 2003, the legal debt limit for the County was \$41,838,783. There were no property tax secured bond issues.

NOTE 7: Designated Fund Balance

Designated fund balance consists of the following:

	December 31, 2003
General Fund - Contingency Fund	\$ 350,000
General Fund - Change Fund	300
General Fund - Petty Cash Fund	750
Subtotal Primary Government	351,050
Library Fund - Petty Cash Fund	300
Subtotal Component Unit	300
Total Reporting Entity	\$ 351,350

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 8: Deficit Fund Balance

The following fund had a deficit fund balance as of December 31, 2003:

	December 31, 2003
Grants Fund	\$ (4,634)

NOTE 9: Commitments

Total commitments consist of the following at December 31, 2003:

	December 31, 2003
Primary Government:	
Long-Term Debt	\$ 3,712,181
Construction Contracts	1,028,769
Total Debt - Primary Government	4,740,950
Component Unit - Baxter Regional Airport:	
Long -Term Debt	664,940
Total Debt - Component Unit	664,940
Total Reporting Entity	\$ 5,405,890

Long-Term Debt

A. Long-Term Debt at December 31, 2003 is comprised of the following:

	December 31, 2003
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 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.	\$ 3,085,000
Promissory Note with TrustBanc 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.	574,581
Lease-purchase agreement with Fleet Leasing Corporation for the purchase of E-911 equipment, monthly installments of \$4,891 for five (5) years. Payments are to be made from the E-911 Fund.	52,600
Total Debt - Primary Government	3,712,181

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 9: Commitments (Continued)

- B. Long-term debt of the Component Unit - Baxter Regional Airport at December 31, 2003 is comprised of the following:

	<u>December 31, 2003</u>
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 hangers and the construction of additional airport hangers. The bonds shall be payable from airport hanger revenues by the Airport Commission.	\$ 664,940
Total Debt - Component Unit	<u>664,940</u>
Total Debt - Reporting Entity	<u>\$ 4,377,121</u>

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

Compensated Absences

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

Debt Service Requirements to Maturity

The County is obligated for the following amounts:

<u>Primary Government</u> Years Ending December 31,	<u>Bonds</u>	<u>Notes</u>	<u>Leases</u>	<u>Total</u>
2004	\$ 334,063	\$ 227,115	\$ 53,803	\$ 614,981
2005	382,912	227,115		610,027
2006	433,813	177,722		611,535
2007	441,812			441,812
2008	443,213			443,213
2009 through 2013	1,794,250			1,794,250
Total Obligations	<u>3,830,063</u>	<u>631,952</u>	<u>53,803</u>	<u>4,515,818</u>
Less Interest	<u>745,063</u>	<u>57,371</u>	<u>1,203</u>	<u>803,637</u>
Total Principal	<u>\$ 3,085,000</u>	<u>\$ 574,581</u>	<u>\$ 52,600</u>	<u>\$ 3,712,181</u>

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 9: Commitments (Continued)

Debt Service Requirements to Maturity (Continued)

<u>Component Unit - Airport Commission</u>	
<u>Years Ending</u>	
<u>December 31,</u>	<u>Bonds</u>
2004	\$ 55,650
2005	55,650
2006	55,649
2007	55,650
2008	55,650
2009 through 2013	740,745
Total Obligations	<u>1,018,994</u>
Less Interest	<u>354,054</u>
Total Principal	<u><u>\$ 664,940</u></u>

Construction Contracts

The County was contractually obligated for the following construction contracts at December 31, 2003:

<u>Project Name</u>	<u>Estimated Completion Date</u>	<u>Contract Balance</u>
Baxter County Detention Facility	September 1, 2004	<u><u>\$ 1,028,769</u></u>

NOTE 10: 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, 2003</u>
Aeroquip Corporation	93-53	10/1/1993	\$ 7,200,000	\$ 7,200,000
Baxter County Regional Hospital	99-53	5/1/1999	<u>79,845,000</u>	<u>76,735,000</u>
Totals			<u><u>\$ 87,045,000</u></u>	<u><u>\$ 83,935,000</u></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 11: Subsequent Events

On November 22, 2004, the Baxter County Quorum Court approved the sale of Baxter Manor Nursing Home. The nursing home, a component unit of Baxter County, was sold to Cooper Management, Inc. for \$2,401,000.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 12: Related Party Transactions

During 2003, the County paid \$57,530 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 13: 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.

NOTE 14: 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 10% of annual covered payroll. The County's contributions to PERS for the years ending December 31, 2003, 2002 and 2001 were \$360,258, \$353,509 and \$277,905, respectively, equal to the required contributions for each year.

BAXTER COUNTY, ARKANSAS
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Unaudited)

	December 31, 2003
A. <u>General Fixed Assets</u>	
Land and Buildings	\$ 4,581,783
Improvements	246,376
Construction in Progress	1,849,087
Equipment	<u>8,076,345</u>
Total - Primary Government	<u>\$ 14,753,591</u>
B. <u>Component Unit Fixed Assets - County Airport Commission</u>	
Land and Buildings	\$ 1,202,481
Improvements	1,839,269
Equipment	<u>50,199</u>
Total	<u>\$ 3,091,949</u>
C. <u>Component Unit Fixed Assets - County Library Board</u>	
Equipment	<u>\$ 18,086</u>
Total Reporting Entity	<u>\$ 17,863,626</u>