

Baxter County, Arkansas

**General Purpose Financial Statements
and Other Reports**

December 31, 1999

LEGISLATIVE JOINT AUDITING COMMITTEE



BAXTER COUNTY, ARKANSAS
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Arkansas

JONATHAN S. "JON" FITCH, SENATOR
CHAIRMAN
DANNY W. FERGUSON, REPRESENTATIVE
VICE CHAIRMAN
CHARLES L. ROBINSON, CPA, CFE
LEGISLATIVE AUDITOR

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Baxter County, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

We have audited the accompanying general purpose financial statements of Baxter County, Arkansas, as of and for the year ended December 31, 1999, (except that the Component Unit - Baxter Manor Nursing Home is as of June 30, 1999 and for the year then ended) as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Component Unit - Baxter Manor Nursing Home. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the Component Unit - Baxter Manor Nursing Home, is based on the report of the other auditors.

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

The general purpose financial statements referred to above do not disclose all the required information concerning deposits and investments which should be included in order to conform with generally accepted accounting principles. The effects of omitting the required financial information concerning compensated absences were not determined.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraph and based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Baxter County, Arkansas, as of December 31, 1999 (except that the Component Unit - Baxter Manor Nursing Home is as of June 30, 1999 and for the year then ended), and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2000 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.

DIVISION OF LEGISLATIVE AUDIT

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
October 26, 2000
LOCO00399



Arkansas

JONATHAN S. "JON" FITCH, SENATOR
CHAIRMAN
DANNY W. FERGUSON, REPRESENTATIVE
VICE CHAIRMAN
CHARLES L. ROBINSON, CPA, CFE
LEGISLATIVE AUDITOR

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

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

We have audited the general purpose financial statements of Baxter County, Arkansas, as of and for the year ended December 31, 1999 (except that the Component Unit – Baxter Manor Nursing Home is as of June 30, 1999 and for the year then ended) and have issued our report thereon dated October 26, 2000. In our report, our opinion was qualified because the required disclosures were not made concerning deposits and investments. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

The County had inadequate control over cash transactions because of insufficient segregation of duties due to a limited number of personnel.

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

Other Management Issues

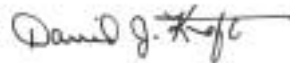
The commentary contained in this section relates to the following officials that held office during 1999:

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

Our audit procedures indicated that the offices of all 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 26, 2000

BAXTER COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
 DECEMBER 31, 1999

Exhibit A

	Governmental Fund Types		Fiduciary	Account Groups		Totals (Memorandum Only) Primary Government	Component Units			Totals (Memorandum Only) Reporting Entity
	General	Special Revenue	Fund Type Agency	General Fixed Assets	General Long- Term Debt	December 31, 1999	County Library Board	County Airport Commission	Baxter Manor Nursing Home	December 31, 1999
ASSETS AND OTHER DEBITS										
Cash and cash equivalents	\$ 927,314	\$ 726,705	\$ 637,178			\$ 2,291,197	\$ 49,901	\$ 16,088	\$ 211,545	\$ 2,568,731
Investments (certificates of deposit)	1,252,611	428,992	49,635			1,731,238	38,694			1,769,932
Receivables:										
Accounts	137,221	73,648	2,959			213,828		17,628	19,879	251,335
Taxes	197,283					197,283				197,283
Interfund receivables	64,451	55,704				120,155				120,155
Inventories									12,795	12,795
Prepaid expenses									18,149	18,149
Due from primary government							12,211			12,211
Restricted assets:										
Cash and cash equivalents									135,201	135,201
Land and buildings				\$ 4,397,854		4,397,854		552,185	1,363,717	6,313,756
Improvements				117,081		117,081		1,809,529	236,768	2,163,378
Accumulated depreciation									(1,083,908)	(1,083,908)
Equipment				8,107,600		8,107,600	109,714	53,489	574,943	8,845,746
Amount to be provided for retirement of lease-purchase agreements					\$ 461,216	461,216		118,789		580,005
Amount to be provided for installment contract payable agreements					382,222	382,222				382,222
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 2,578,880</u>	<u>\$ 1,285,049</u>	<u>\$ 689,772</u>	<u>\$ 12,622,535</u>	<u>\$ 843,438</u>	<u>\$ 18,019,674</u>	<u>\$ 210,520</u>	<u>\$ 2,567,708</u>	<u>\$ 1,489,089</u>	<u>\$ 22,286,991</u>
LIABILITIES AND FUND EQUITY										
Liabilities:										
Accounts payable	\$ 179,843	\$ 45,638				\$ 225,481	\$ 5,686	\$ 18,937	\$ 42,741	\$ 292,845
Salaries payable									84,144	84,144
Payroll taxes payable	42,408	19,853				62,261	3,187			65,448
Payable from restricted assets:										
Accrued interest									3,343	3,343
Current maturities of long-term debt									21,205	21,205
Bonds, fines and costs pending			\$ 402,097			402,097				402,097
Due to other agencies	188,779		226,530			415,309				415,309
Interfund payables	54,251	7,319	58,585			120,155				120,155
Due to component units	9,651		2,560			12,211				12,211
Lease-purchase agreements payable					\$ 461,216	461,216		118,789		580,005
Notes payable									636,116	636,116
Installment contract payable					382,222	382,222				382,222
Total Liabilities	<u>474,932</u>	<u>72,810</u>	<u>689,772</u>		<u>843,438</u>	<u>2,080,952</u>	<u>8,873</u>	<u>137,726</u>	<u>787,549</u>	<u>3,015,100</u>

BAXTER COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
 DECEMBER 31, 1999

Exhibit A

	Governmental Fund Types		Fiduciary Fund Type Agency	Account Groups		Totals (Memorandum Only) Primary Government December 31, 1999	Component Units			Totals (Memorandum Only) Reporting Entity December 31, 1999
	General	Special Revenue		General Fixed Assets	General Long- Term Debt	County Library Board	County Airport Commission	Baxter Manor Nursing Home		
LIABILITIES AND FUND EQUITY (Continued)										
Fund Equity:										
Investment in general fixed assets				\$ 12,622,535		\$ 12,622,535	\$ 109,714	\$ 2,415,203		\$ 15,147,452
Retained Earnings:										
Reserved:										
Current liabilities								\$ 110,653		110,653
Unreserved:										
Undesignated								590,887		590,887
Fund Balances:										
Unreserved:										
Designated	\$ 499,232					499,232	300			499,532
Undesignated	1,604,716	\$ 1,212,239				2,816,955	91,633	14,779		2,923,367
Total Fund Equity	2,103,948	1,212,239		12,622,535		15,938,722	201,647	2,429,982	701,540	19,271,891
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,578,880</u>	<u>\$ 1,285,049</u>	<u>\$ 689,772</u>	<u>\$ 12,622,535</u>	<u>\$ 843,438</u>	<u>\$ 18,019,674</u>	<u>\$ 210,520</u>	<u>\$ 2,567,708</u>	<u>\$ 1,489,089</u>	<u>\$ 22,286,991</u>

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

BAXTER COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 1999

Exhibit B

	Governmental Fund Types		Totals	Component Units		Totals
			(Memorandum Only)			(Memorandum Only)
	General	Special Revenue	Primary Government Year Ended December 31, 1999	County Library Board	County Airport Commission	Reporting Entity Year Ended December 31, 1999
REVENUES						
Intergovernmental revenues - state	\$ 842,763	\$ 1,109,523	\$ 1,952,286	\$ 45,474	\$ 15,864	\$ 2,013,624
Intergovernmental revenues - federal	45,779	121,878	167,657		185,228	352,885
Property taxes	260,010	690,712	950,722	296,480		1,247,202
Sales taxes	2,398,313		2,398,313			2,398,313
Fines, forfeitures and costs	395,210	28,301	423,511			423,511
Investment income	91,558	61,691	153,249	1,842	876	155,967
Officers' fees	176,905	148,910	325,815			325,815
Jail fees	40,649		40,649			40,649
Reappraisal reimbursements	412,502		412,502			412,502
Hospital lease	600,000		600,000			600,000
Airport fees					64,146	64,146
Treasurer's commission	62,437	15,917	78,354			78,354
Collector's commission	210,841		210,841			210,841
Taxes apportioned - Assessor's salary and expense	340,489		340,489			340,489
Other	250,910	297,771	548,681	31,560	63,657	643,898
TOTAL REVENUES	6,128,366	2,474,703	8,603,069	375,356	329,771	9,308,196
Less: Treasurer's commission	39,365	18,792	58,157	3,075		61,232
NET REVENUES	6,089,001	2,455,911	8,544,912	372,281	329,771	9,246,964
EXPENDITURES						
Current:						
General government	1,903,904	94,352	1,998,256	397,094	131,843	2,527,193
Law Enforcement	2,433,510	101,236	2,534,746			2,534,746
Highways and streets	23,727	2,267,256	2,290,983			2,290,983
Public safety	392,238	227,901	620,139			620,139

BAXTER COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 1999

Exhibit B

	Governmental Fund Types		Totals	Component Units		Totals
			(Memorandum Only)	County Library Board	County Airport Commission	(Memorandum Only)
	General	Special Revenue	Primary Government Year Ended December 31, 1999			Reporting Entity Year Ended December 31, 1999
EXPENDITURES (Continued)						
Current: (Continued)						
Health	\$ 69,553		\$ 69,553			\$ 69,553
Recreation and culture	6,500	\$ 813	7,313			7,313
Social services	48,453		48,453			48,453
Total Current	4,877,885	2,691,558	7,569,443	\$ 397,094	\$ 131,843	8,098,380
Capital outlay	1,282,197	1,096,737	2,378,934	19,443	192,512	2,590,889
Debt service:						
Principal reduction on capital lease	930	88,959	89,889		5,875	95,764
Interest imputed on capital lease	41	26,362	26,403		11,025	37,428
Payment on building purchase	191,111		191,111			191,111
TOTAL EXPENDITURES	6,352,164	3,903,616	10,255,780	416,537	341,255	11,013,572
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(263,163)	(1,447,705)	(1,710,868)	(44,256)	(11,484)	(1,766,608)
OTHER FINANCIAL SOURCES (USES)						
Transfers in		1,207,033	1,207,033			1,207,033
Transfers out	(1,207,033)		(1,207,033)			(1,207,033)
Donation						
Value of lease-purchase agreement		263,234	263,234			263,234
Value of donated capital	376,875	7,000	383,875			383,875
Value of traded in equipment		1,700	1,700			1,700
Sale of equipment		23,709	23,709			23,709

BAXTER COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 1999

Exhibit B

	Governmental Fund Types		Totals	Component Units		Totals
			(Memorandum Only)	County Library Board	County Airport Commission	(Memorandum Only)
	General	Special Revenue	Primary Government Year Ended December 31, 1999	Year Ended December 31, 1999	Year Ended December 31, 1999	Reporting Entity Year Ended December 31, 1999
OTHER FINANCIAL SOURCES (USES) (Continued)						
Value of installment contract	\$ 573,333		\$ 573,333			\$ 573,333
Value of confiscated property	1,600		1,600			1,600
 TOTAL OTHER FINANCING SOURCES (USES)	 (255,225)	 \$ 1,502,676	 1,247,451			 1,247,451
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 (518,388)	 54,971	 (463,417)	 \$ (44,256)	 \$ (11,484)	 (519,157)
 FUND BALANCES - JANUARY 1	 2,622,336	 1,157,268	 3,779,604	 136,189	 26,263	 3,942,056
 FUND BALANCES - DECEMBER 31	 \$ 2,103,948	 \$ 1,212,239	 \$ 3,316,187	 \$ 91,933	 \$ 14,779	 \$ 3,422,899

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

BAXTER COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999

Exhibit C

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES						
Intergovernmental revenues - state	\$ 892,511	\$ 842,763	\$ (49,748)	\$ 1,047,588	\$ 1,109,523	\$ 61,935
Intergovernmental revenues - federal	52,140	45,779	(6,361)	107,018	121,878	14,860
Property taxes	298,948	260,010	(38,938)	615,775	690,712	74,937
Sales taxes	2,345,000	2,398,313	53,313			
Fines, forfeitures and costs	296,700	395,210	98,510	21,000	28,301	7,301
Investment income	81,000	91,558	10,558	39,100	60,678	21,578
Officer's fees	140,900	176,905	36,005	112,100	121,778	9,678
Jail fees	60,000	40,649	(19,351)			
Reappraisal reimbursements	367,429	412,502	45,073			
Hospital lease	600,000	600,000				
Treasurer's commission	150,000	62,437	(87,563)		15,917	15,917
Collector's commission	170,000	210,841	40,841			
Taxes apportioned - Assessor's salary and expense	380,000	340,489	(39,511)			
Other	291,149	250,910	(40,239)	268,235	297,771	29,536
TOTAL REVENUES	6,125,777	6,128,366	2,589	2,210,816	2,446,558	235,742
Less: Treasurer's commission	65,350	39,365	25,985	28,200	18,792	9,408
NET REVENUES	6,060,427	6,089,001	28,574	2,182,616	2,427,766	245,150
EXPENDITURES						
Current:						
General government	2,995,286	1,903,904	1,091,382	131,623	94,352	37,271
Law enforcement	2,525,280	2,433,510	91,770	123,263	86,789	36,474
Highways and streets		23,727	(23,727)	3,028,353	2,267,256	761,097
Public safety	388,458	392,238	(3,780)	299,092	227,901	71,191
Health	44,835	69,553	(24,718)			
Recreation and culture	6,500	6,500		75,717	813	74,904
Social services	39,958	48,453	(8,495)			

BAXTER COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999

Exhibit C

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
EXPENDITURES (Continued)						
Total Current	\$ 6,000,317	\$ 4,877,885	\$ 1,122,432	\$ 3,658,048	\$ 2,677,111	\$ 980,937
Capital outlay	722,921	330,389	392,532	140,051	777,378	(637,327)
Debt service:						
Principal reduction on capital lease		930	(930)		83,928	(83,928)
Interest imputed on capital lease		41	(41)		25,947	(25,947)
Payment on building purchase		191,111	(191,111)			
TOTAL EXPENDITURES	<u>6,723,238</u>	<u>5,400,356</u>	<u>1,322,882</u>	<u>3,798,099</u>	<u>3,564,364</u>	<u>233,735</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(662,811)</u>	<u>688,645</u>	<u>1,351,456</u>	<u>(1,615,483)</u>	<u>(1,136,598)</u>	<u>478,885</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				1,113,112	1,207,033	93,921
Transfers out	(1,113,112)	(1,207,033)	(93,921)			
Sale of equipment					23,709	23,709
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,113,112)</u>	<u>(1,207,033)</u>	<u>(93,921)</u>	<u>1,113,112</u>	<u>1,230,742</u>	<u>117,630</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(1,775,923)</u>	<u>(518,388)</u>	<u>1,257,535</u>	<u>(502,371)</u>	<u>94,144</u>	<u>596,515</u>
FUND BALANCES - JANUARY 1	<u>1,950,000</u>	<u>2,622,336</u>	<u>672,336</u>	<u>895,150</u>	<u>1,113,207</u>	<u>218,057</u>
FUND BALANCES - DECEMBER 31	<u>\$ 174,077</u>	<u>\$ 2,103,948</u>	<u>\$ 1,929,871</u>	<u>\$ 392,779</u>	<u>\$ 1,207,351</u>	<u>\$ 814,572</u>

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

BAXTER COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY -
DISCRETELY PRESENTED COMPONENT UNIT - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999

Exhibit D

	Baxter Manor Nursing Home
Operating Revenues:	
Patient Revenue	\$ 1,696,732
Other Revenue	8,178
Total Operating Revenue	1,704,910
Operating Expenses:	
Direct Care	701,065
Restorative	19,353
Care Related	243,906
Administrative and General	664,103
Total Operating Expenses	1,628,427
Income (Loss) before Depreciation	76,483
Depreciation Expense	(55,775)
Income (Loss) from Operations	20,708
Other Income (Expense):	
Interest Income	15,053
Patient Trust Receipts, Net of Expenditures	46
Interest Expense	(41,159)
Loss on Asset Disposals	(2,870)
Total Other Income (Expense)	(28,930)
Net Income (Loss)	(8,222)
Retained Earnings - Beginning	709,762
Retained Earnings - Ending	\$ 701,540

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

BAXTER COUNTY, ARKANSAS
STATEMENT OF CASH FLOWS - DISCRETELY PRESENTED COMPONENT UNIT -
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999

Exhibit E

	Baxter Manor Nursing Home
Cash Flows From Operating Activities:	
Income (Loss) from Operations	\$ 20,708
Depreciation Expense	55,775
Loss of Asset Disposals	2,870
(Increase) Decrease:	
Accounts Receivable	17,033
Workers Compensation Refund Receivable	6,000
Inventories	(7,492)
Prepaid Expenses	3,711
Increase (Decrease):	
Accounts Payable	1,858
Accrued Salaries	1,066
Accrued Interest Payable	(124)
Other Current Liabilities	(1,587)
	99,818
Net Cash Flows from Operations	99,818
Cash Flows From Capital Financing Activities:	
Cash Used to Reduce Rural Development Note	(24,453)
Cash Interest Paid on Rural Development Note	(41,283)
	(65,736)
Net Cash Flows from Capital Financing Activities	(65,736)
Cash Flows From Non-Capital Financing Activities:	
Cash Received from Interest Earned	15,053
	15,053
Net Cash Flows from Non-Capital Financing Activities	15,053
Cash Flows From Investing Activities:	
Cash Received from Insurance Claim	5,288
Cash Paid to Purchase Property and Equipment	(40,282)
	(34,994)
Net Cash Flows from Investing Activities	(34,994)
Increase (Decrease) in Cash	14,141
Cash - Beginning of Year	332,605
Cash - End of Year	\$ 346,746

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

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1: Summary of Significant Accounting Policies

The accounting methods and procedures adopted by the County conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the County's General Purpose Financial Statements.

A. Financial Reporting Entity

The County is a political subdivision of the state governed by an elected quorum court. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity either as blended component units or as discretely presented component units because of the significance of their operational or financial relationships with the County.

Blended component units

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.

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

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The following types of funds and account groups are recognized in the accompanying financial statements.

Governmental Funds

General Fund - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds – Component Unit – Baxter Manor Nursing Home

Enterprise Funds - This fund type accounts for operations that are financed and operated in a manner similar to private business where the intent of the entity is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance, and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds, federal grants, and other entity funds.

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the entity as an agent for individuals, private organizations, other governmental units, and other funds.

Account Groups

General Fixed Assets - This group of accounts is established to account for all fixed assets of the entity, other than those accounted for in the Proprietary Funds.

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

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized under the modified accrual basis when the related fund liability is incurred. Exceptions to the general rule include: (1) principal and interest on general long-term debt which is recognized when due and (2) prepaid expenses, which are not recorded. The accrual basis of accounting is followed in the Proprietary Fund. Under the accrual basis, revenues are recognized when earned and expenses are recorded when incurred.

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.
2. Donated property consisting of land, buildings and equipment in the amounts of \$8,500, \$286,667 and \$90,308, respectively, were added to general fixed assets.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fixed Assets (Continued)

3. Fixed asset purchases for the Component Unit – Baxter Manor Nursing Home, are stated at cost and are depreciated by the straight-line method over the estimated useful lives of the various assets, varying from the four to twenty-one years for equipment to forty-five years for the building. The cost of assets retired from service are credited to the appropriate land, buildings and equipment account.
4. Fixed asset purchases for the Component Unit – County Library Board and the County Airport Commission are recorded at cost.

E. Property Taxes

The accompanying financial statements do not reflect any provision for property taxes which were levied in November of our audit year. A lien attaches to the real property in January, and on personal property in June of our audit year. These taxes are collectible beginning the first business day of March of the year subsequent to our audit year. However, such taxes are not considered delinquent until after October 10 of the year subsequent to our audit. Taxes levied in November of our audit year are not available as a resource that can be used to finance current year operations and therefore, are not susceptible to accrual.

F. Receivables

Receivables primarily consist of municipal court fines, sales taxes and jail fees collected by another agency but not yet remitted to the County. Since few governmental fund revenues are susceptible to accrual prior to receipt, property taxes, licenses, fees, and similar revenues are recognized on the cash basis.

Accounts Receivable – Component Unit – Baxter Manor Nursing Home

Accounts receivable reflects the balances due from the individuals, who are substantially all local residents, using the services provided by the Facility.

The Facility uses the direct write-off method of accounting for bad debts. No allowance for uncollectible accounts has been provided since historically such accounts have been minimal.

G. Investments

Certificates of deposit are reported at cost.

H. Inventory

1. The cost of governmental fund type inventories is recorded as an expenditure when purchased rather than when consumed (purchase method). The County had no significant inventories in the governmental fund types
2. Inventories for the Component Unit – Baxter Manor Nursing Home are valued at the actual acquisition cost by the first-in-first-out (FIFO) method.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. Fund Equity

Fund Balance/Retained Earnings -

1. Reserved Fund Balance/Retained Earnings 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/Unreserved Retained Earnings indicates that portion of fund equity which is available for budgeting in future periods.

J. Budgetary Controls

1. Legal Requirements

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

2. Accounting

The County prepared an annual budget on the modified accrual basis for the General Fund and all the Special Revenue Funds except for the Sheriff's Communication Facilities and Equipment Fund. Formal budgetary policies are not employed for the Proprietary and Fiduciary Fund types and the Sheriff's Communication Facilities and Equipment Fund.

K. Cash Equivalents

Cash equivalents are considered to be all highly liquid investments (including restricted assets) with a maturity of three (3) months or less when purchased.

L. Encumbrances

The County does not utilize an encumbrance system to record outstanding purchase commitments that have not yet resulted in liabilities.

M. Compensated Absences - Component Unit – Baxter Manor Nursing Home

Baxter Manor Nursing Home allows employees to accumulate a limited amount of earned but unused vacation time which is payable to the employee upon separation from service. This cost is accrued monthly as earned. The total due at June 30, 1999 is \$38,548 and is included in the \$84,144 salary accrual at year-end.

N. Cash and Cash Equivalents – Component Unit – Baxter Manor Nursing Home

For purposes of the statement of cash flows, the Facility considers all cash accounts as cash.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2: Memorandum Totals

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

NOTE 3: Public Fund Deposits and Investments

The accompanying notes to the financial statements do not include the following credit risk information required by Governmental Accounting Standards Board Statement No. 3 pertaining to the carrying amount of total deposits and investments for the Governmental and Fiduciary Fund Types:

(A) Information disclosing whether deposits are:

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

(B) Information disclosing whether investments are:

- (1) Insured or registered, or securities held by the entity or its agent in the entity's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name;
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

Information concerning the extent of insurance coverage was not compiled by the entity nor readily available from their records.

NOTE 4: Legal or Contractual Provisions for Deposits and Investments

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

NOTE 5: Fund Presentation

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

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 1999	
	Interfund Receivables	Interfund Payables
General Fund	\$ 64,451	\$ 54,251
Special Revenue Funds:		
Road	40,115	7,087
Public Defender	312	
Support Cost	151	
Boating Safety	93	
Small Claims	103	
Sheriff's Special Projects	226	
Sheriff' Radio	188	
E-911	3,054	232
Recorder's Cost	9,890	
Treasurer's Automation	1,566	
Wolf House	6	
Agency Funds:		
Treasurer:		
Treasurer's Commission		15,665
Collector's Unapportioned		2,754
State Land		328
Unapportioned Interest		6,854
Collector:		
Delinquent personal		4,969
Delinquent real		4,555
Sheriff:		
Fee account		1
County Clerk:		
Fee account		13,366
Circuit Clerk:		
Juvenile probation		3,691
Municipal Court:		
County account		5,757
Probation		645
Totals	\$ 120,155	\$ 120,155

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 7: Component Unit Balances

	December 31, 1999	
	Primary Government	Due to Component Unit
County General		\$ 9,651
County Library	\$ 12,211	
Agency Funds:		
Treasurer:		
Collector's Unapportioned		361
State Land		72
Interest		212
Tax Collector:		
Delinquent Personal		663
Delinquent Real		1,252
Totals	\$ 12,211	\$ 12,211

NOTE 8: Changes in General Fixed Assets

	Balance January 1, 1999 as Previously Reported	Restatement Adjustment	Balance January 1, 1999 as Restated	Additions	Deletions	Balance December 31, 1999
Land and buildings	\$ 3,154,405		\$ 3,154,405	\$ 1,243,449		\$ 4,397,854
Improvements	97,792		97,792	19,289		117,081
Equipment	7,411,135	\$ 18,500	7,429,635	1,134,438	\$ 456,473	8,107,600
Totals	\$ 10,663,332	\$ 18,500	\$ 10,681,832	\$ 2,397,176	\$ 456,473	\$ 12,622,535

NOTE 9: Changes in Component Unit Fixed Assets

	Balance January 1, 1999	Additions	Deletions	Balance December 31, 1999
County Library Board:				
Equipment	\$ 108,514	\$ 1,200	\$ 0	\$ 109,714

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 9: Changes in Component Fixed Assets (Continued)

County Airport Commission:	Balance January 1, 1999	Additions	Deletions	Balance December 31, 1999
Land and Buildings	\$ 552,185			\$ 552,185
Improvements	1,617,016	\$ 192,513		1,809,529
Equipment	53,489			53,489
Totals	\$ 2,222,690	\$ 192,513	\$ 0	\$ 2,415,203

NOTE 10: Changes in Proprietary Fund Type Fixed Assets – Component Unit Baxter Manor Nursing Home

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land Improvements	\$ 2,874			\$ 2,874
Buildings	1,363,717			1,363,717
Building Improvements	237,993	\$ 4,592	\$ (8,691)	233,894
Equipment - Operating	256,591	1,110	(105)	257,596
Equipment - Departmental	250,756	31,557	(11,668)	270,645
Vehicles	28,608			28,608
Office Furniture and Fixtures	19,010		(916)	18,094
Totals	2,159,549	37,259	(21,380)	2,175,428
Accumulated Depreciation	(1,041,677)	(55,775)	13,544	(1,083,908)
Totals - Net	\$ 1,117,872	\$ (18,516)	\$ (7,836)	\$ 1,091,520

Depreciation expense was \$55,775 for the year ended June 30, 1999.

NOTE 11: Compensated Absences

Compensated absences do not vest or accumulate.

Accruals for compensated absences have not been reflected in the accompanying financial statements. The amount accumulated was not material to the financial statements.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 12: Long-Term Debt

A. General long-term debt at December 31, 1999 is comprised of the following:

	December 31, 1999
Lease-purchase agreement with Mercantile Leasing Corporation on the purchase of one Midland Model 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.	\$ 32,599
Lease-purchase agreement with Mercantile Leasing Corporation on the purchase of one 1,900 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.	55,548
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.	110,461
Lease-purchase agreement with Evercom, Inc. on the purchase of an inmate phone system for the County Jail, monthly installments of \$453.90 for 46 months. Payments are withheld from telephone commissions earned from telephone charges on calls placed by inmates.	3,538
Lease-purchase agreement with Fleet Leasing Corp. on the purchase of E-911 equipment, monthly installments of \$4,891.15 for 5 years. Payments are to be made from the E-911 fund.	259,070
Contract payable for the purchase of land and buildings. Annual installments of \$191,111 for three (3) years. Payments are to be made from the County General Fund.	<u>382,222</u>
Total Debt	<u><u>\$ 843,438</u></u>

B. Long-term debt of the Component Unit – Baxter County Regional Airport at December 31, 1999 is comprised of the following:

Lease-purchase agreement with Baxter Hangar Partnership on the purchase of an airport hangar building, quarterly installments of \$4,225.12 for 80 quarterly payments. Payments are to be made from the Baxter County Regional Airport Fund.	\$ 118,789
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BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 12: Long-term Debt (Continued)

C. Long-term debt of the Component Unit – Baxter Manor Nursing Home at June 30, 1999 is comprised of the following:

On August 29, 1986, the Baxter County Quorum Court authorized the issuance of revenue bonds in the total amount of \$825,000 for Facility improvements. The two bonds were issued to the United States Department of Agriculture, Farmers Home Administration (now Rural Development) and required monthly payments totaling \$5,478, with interest at a rate of 6.875% per annum, to commence on November 3, 1987. The notes payable are as follows:

	Initial Amount	Interest Rate	Balance June 30, 1999	Payment Terms
	\$ 750,000	6.875%	\$ 598,181	\$4,980 Mo.
	75,000	6.875%	59,140	498 Mo.
Total	\$ 825,000		657,321	
Less Current Maturity			21,205	
Total Long-Term Liability			\$ 636,116	

NOTE 13: Changes in General Long-Term Debt

The following is a summary of transactions of the County for the year ended December 31, 1999:

	1999
General Long-Term Debt at January 1, as previously reported	\$ 395,758
Restatement adjustment - County Jail inmate phone system, not included in previous year audit	8,569
General Long-Term Debt at January 1, as restated	404,327
Additions:	
Capital leases	263,234
Installment contract payable	573,333
Deletions:	
Lease payments	89,889
Installment payments	191,111
Unfulfilled lease purchase contract	116,456
General Long-Term Debt at December 31	\$ 843,438

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 13: Changes in General Long-Term Debt (Continued)

The following is a summary of transactions of the Component Unit – County Airport Commission for the year ended December 31, 1999:

General Long-Term Debt at January 1	\$	124,664
Deletions:		
Lease payments		5,875
General Long-Term debt at December 31	\$	118,789

NOTE 14: Debt Service Requirements to Maturity – Component Unit – Baxter Manor Nursing Home

Maturities of the notes payable for the next five years are as follows:

<u>June 30, 1999</u>	<u>Amount</u>
2000	\$ 21,205
2001	22,710.00
2002	24,321.00
2003	26,047.00
2004	27,895.00
Thereafter	535,143.00
Total	\$ 657,321

Based on the borrowing rates currently available to the Facility with similar terms and average maturities, the fair value of long-term debt was \$636,116 at June 30, 1999.

NOTE 15: Capital Leases

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

<u>Class of Property</u>	<u>Asset Balance December 31, 2000</u>
Road equipment	\$ 320,013
E-911 equipment	263,234
County Jail equipment	18,500

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 15: Capital Leases (Continued)

The following is a schedule of years of future lease payments still remaining as of December 31, 1999:

Years Ending <u>December 31,</u>	
2000	\$ 136,511
2001	132,880
2002	132,879
2003	58,694
2004	<u>53,803</u>
Total Minimum Lease Payments	514,767
Less: Amount representing interest	<u>53,551</u>
 Net Lease Payments	 <u><u>\$ 461,216</u></u>

*

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

	Asset Balance
<u>Class of Property</u>	<u>December 31, 1999</u>
Airport hangars	\$ 157,000

The following is a schedule of years of future lease payments still remaining as of December 31, 1999:

Years Ending <u>December 31,</u>	
2000	\$ 16,900
2001	16,900
2002	16,900
2003	16,900
2004	16,900
2005	16,900
2006 through 2011	<u>88,727</u>
Total Minimum Lease Payments	190,127
 Less: Amount representing interest	 <u>71,338</u>
 Net Lease Payments	 <u><u>\$ 118,789</u></u>

*

BAXTER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 16: 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, 1999 and, the legal debt limit for the County was \$30,017,836. There were no tax secured bond issues.

NOTE 17: Designated Fund Balance

Designated Fund Balance consists of the following as of December 31, 1999:

General Fund - Contingency Fund	\$	498,182
General Fund - Change Fund		300
General Fund - Petty Cash Fund		750
Subtotal Primary Government		499,232
Library Fund - Pety Cash Fund		300
Subtotal Component Units		300
Total Reporting Entity	\$	499,532

NOTE 18: Commitments

- A. On March 3, 1998, the Baxter County Quorum Court passed Resolution No. 98-5, which states the Quorum Court's Show of Support for Baxter County to purchase ASU – Mountain Home properties. According to the resolution, the City of Mountain Home and Baxter County would pay \$860,000 for the three ASU – Mountain Home properties. Baxter County would pay \$573,000 in annual installments of \$191,111 beginning in the year 1999.
- B. The County entered into two noncancellable lease agreements for 2 Minolta copiers on April 9, 1997. Terms of the lease are monthly payments of \$465.72 for 36 months. At the end of the lease term the County intends to return the copiers to Minolta Corporation.

The County is obligated for the following amount for the next year:

Year	Amount
2000	\$1,862.88

Rent expense for 1999 was \$5,588.64.

- C. On October 12, 1999, the County accepted a bid of \$739,515 from Equity Valuations. LLC for the reappraisal of all real estate parcels. The balance due on the contract at December 31, 1999 was \$739,515. The estimated completion date is October 2002.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 19: 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, 1999
Aero Corporation	93-53	10/1/93	\$ 7,200,000	\$ 7,200,000
Triker, Inc.		3/1/85	660,000	10,223
Capital Mercury Shirt Company		6/30/92	2,500,000	200,000
Baxter County Regional Hospital	99-33	5/1/99	79,845,000	79,845,000
Totals			<u>\$ 90,205,000</u>	<u>\$ 87,255,223</u>

NOTE 20: Unbudgeted Funds/Items

The County does not budget all portions of the general fund and all special revenue funds. The County does not recognize other sources of funds and the related expenditure regarding the value of lease agreements, value of traded in equipment, and adjustments for property donated. The applicable columns of the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, (Exhibit C), exclude amounts relating to these items. A reconciliation of actual results for budgeted and unbudgeted items is as follows:

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance January 1, 1999	Fund Balance December 31, 1999
General Fund:					
Actual (Exhibit B)	\$ 6,089,001	\$ 6,352,164	\$ (255,225)	\$ 2,622,336	\$ 2,103,948
Plus (Minus) unbudgeted audit adjustments:					
Value of donated property		(376,875)	(376,875)		
Value of confiscated property		(1,600)	(1,600)		
Value of installment contract		(573,333)	(573,333)		
Actual (Exhibit C)	<u>\$ 6,089,001</u>	<u>\$ 5,400,356</u>	<u>\$ (1,207,033)</u>	<u>\$ 2,622,336</u>	<u>\$ 2,103,948</u>

BAXTER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 20: Unbudgeted Funds/Items (Continued)

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance January 1, 1999	Fund Balance December 31, 1999
Special Revenue Funds:					
Actual (Exhibit B)	\$ 2,455,911	\$ 3,903,616	\$ 1,502,676	\$ 1,157,268	\$ 1,212,239
Minus unbudgeted funds:					
Sheriff's Communication Facilities and Equipment Fund	(28,145)	(67,318)		(44,061)	(4,888)
Plus (Minus) unbudgeted audit adjustments:					
Value of lease-purchase agreement		(263,234)	(263,234)		
Value of donated property		(7,000)	(7,000)		
Value of traded in equipment		(1,700)	(1,700)		
Actual (Exhibit C)	<u>\$ 2,427,766</u>	<u>\$ 3,564,364</u>	<u>\$ 1,230,742</u>	<u>\$ 1,113,207</u>	<u>\$ 1,207,351</u>

NOTE 21: Prior Year Restatements

The General Fixed Assets account group of the primary government was restated at January 1, 1999 in the amount of \$18,500 in order to include a County Jail inmate telephone system.

The General Long-Term Debt account group of the primary government was restated at January 1, 1999 in the amount of \$8,569 in order to include the lease purchase contract for the jail inmate telephone system.

NOTE 22: Related Party Transactions

During 1999, the County paid \$57,233.50 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 1999, the County donated \$24,983.11 to the Baxter County Regional Airport Commission to be utilized for airport improvements.

NOTE 23: Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular full-time general employees of the County, permits participants to defer a portion of their salaries until future years. The deferred compensation is not available to the participants until termination, retirement, death or unforeseeable emergency.

The County deposits all amounts of compensation deferred under the plan with Bank One of Chicago, Illinois which serves as custodian of the plan.

BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 23: Deferred Compensation Plan (Continued)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries. Prior to recent legislative changes, these amounts were solely the property and rights of the County subject only to the claims of the County's general creditors. At December 31, 1999, as a result of the legislative changes, the deferred compensation investments are no longer reported in the County's financial statements as an agency fund.

NOTE 24: 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 6% of annual covered payroll. The County's contributions to PERS for the years ending December 31, 1999, 1998 and 1997 were \$181,466.76, \$179,138.71, and \$161,258.69, respectively, equal to the required contributions for each year.

NOTE 25: Charitable Remainder Gift to Baxter County

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

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

On July 2, 1996 the County Quorum Court passed resolution 96-19, which states "whereas, the Quorum Court recognizes the need to transfer \$500,000 from the Emergency Contingencies Fund to be used toward the building of an emergency operations center/911 center . . ." and "whereas, when funds become available from the anonymous donor's trust fund, \$500,000 shall be appropriated back into the Emergency Contingencies Fund, with any additional balance remaining to be used for other building projects to be determined by the County Judge and the Quorum Court."

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NOTE 26: Fund Requirements – Component Unit – Baxter Manor Nursing Home

The loan agreement with Rural Development (formerly Farmers Home Administration) set forth certain fund requirements and the manner in which revenues are to be deposited and transferred between the various funds.

The cash fund required and their uses are as follows:

Revenue Fund:

All revenues derived from the operation of the Facility are to be deposited into this fund and transferred to other funds in the order and amount proscribed in the agreement.

Operation and Maintenance Fund:

On the first of each month, funds sufficient for that month's operating requirements are to be transferred from the Revenue Fund into the Operating Fund and disbursed as needed for the operation and maintenance of the Facility.

Bond Fund:

On the first of each month, a transfer in the amount of \$6,028 is to be made from the Revenue Fund into the Bond Fund. Of this transfer, \$5,478 is to be used for the note payment and \$548 is to be used to accumulate a debt service reserve. When a reserve balance of \$65,736 is accumulated, the \$548 payment may be suspended.

Depreciation Fund:

On the first of each month, a transfer in the amount of \$417 is to be made from the Revenue Fund into the Depreciation Fund. The monies in this fund are to be used for the cost of replacements needed because of depreciation (aging) or for economically justifiable improvements. Monies may also be used to prevent default on the note payment and to maintain the debt service reserve. When the balance in the account reaches \$50,000, the monthly transfer may be suspended, but must be resumed when the balance falls below that amount.

The analysis of fund activity for the year is as follows:

<u>June 30, 1999</u>	<u>Revenue Fund</u>	<u>Operating Fund</u>	<u>Bond Fund</u>	<u>Depreciation Fund</u>	<u>Total</u>
Balance July 1, 1999	\$ 6,992	\$ 10,829	\$ 77,696	\$ 32,739	\$ 128,256
Deposits	1,798,172	1,724,863	72,312	5,004	3,600,351
Interest Earned	424	556	3,510	984	5,474
Disbursements	<u>(1,787,874)</u>	<u>(1,714,108)</u>	<u>(65,736)</u>	<u>(9,383)</u>	<u>(3,577,101)</u>
Balance June 30, 1999	<u>\$ 17,714</u>	<u>\$ 22,140</u>	<u>\$ 87,782</u>	<u>\$ 29,344</u>	<u>\$ 156,980</u>

For purposes of balance sheet presentation at June 30, 1999, the operating account is classified as current cash. The revenue, bond and depreciation account balances are included in restricted cash.

BAXTER COUNTY, ARKANSAS
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NOTE 27: 401(K) Retirement Plan –Component Unit – Baxter Manor Nursing Home

The following description of the Baxter Manor Nursing Home 401(K) Plan (the "Plan") provides only general information. Participants should refer to the Plan Agreement for a more complete description of the Plan's provisions.

Plan Description:

The Plan is a tax qualified defined contribution retirement plan with a cash or deferred arrangement which covers all full-time employees of the Facility who meet the eligibility requirements.

The Plan provides benefits for retired employees who retire at the normal retirement age of 65 or for those taking early retirement at age 55 after ten years of service. Disability benefits are also provided by the Plan.

Eligibility:

An employee is eligible to participate in the Plan after completing one year of service (1,000 hours in a plan year constitutes one year of service) and reaching 18 years of age. The employee must also agree to make mandatory contributions to the Plan to be eligible to participate.

Contributions:

As a condition for sharing in employer contributions, each participant shall make a mandatory contribution of 2% of their total compensation. Total compensation for contribution computation purposes is limited to \$160,000 per employee (to be indexed for inflation). The Facility will make a mandatory contribution of 3% of each participant's compensation and participant may make voluntary contributions which may not exceed 17% of their compensation of \$10,000 (to be adjusted annually).

Wages and contributions for years ending June 30, 1999 are as follows:

	<u>June 30, 1999</u>
Eligible Wages	\$ 631,558
Employer Contributions	18,947
Employee Required Contributions	12,631
Employee Voluntary Contributions	12,471

Vesting:

All contributions made by the participants and the earnings thereon shall be at all times one hundred percent (100%) vested and nonforfeitable upon termination of employment regardless of age or service.

The percentage of each participant's employer contribution account which shall be nonforfeitable upon termination of his or her employment for reasons other than death, disability, or retirement is based upon years of continuous service pursuant to the following schedule:

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NOTE 27: 401(K) Retirement Plan –Component Unit – Baxter Manor Nursing Home (Continued)

Vesting: (Continued)

<u>Years of Service</u>	<u>Vested Percentage</u>
3	20%
4	40%
5	50%
6	80%
7	100%

Forfeitures occur when employees who are less than fully vested separate from service. Forfeitures are used to reduce the employer contribution to the Plan.

NOTE 28: Retained Earnings – Reserved – Component Unit – Baxter Manor Nursing Home

Retained earnings has been reserved to reflect the restricted use of certain funds and the current liabilities payable from those funds as follows:

	<u>1999</u>
Total Restricted Assets	\$ 135,201
Current Liabilities Payable from Restricted Assets	<u>(24,548)</u>
Retained Earnings - Reserved	<u>\$ 110,653</u>

NOTE 29: Installment Contract Payable

The following is a schedule by years of future installment contract payments still remaining as of December 31, 1999:

Years Ending December 31,	
2000	\$ 191,111
2001	<u>191,111</u>
Total	<u>\$ 382,222</u>

NOTE 30: Unfulfilled Lease-Purchase Contract

The County (Primary Government) entered into a lease-purchase agreement with Motorola, Inc. on April 14, 1997 for the purchase of an E-911 System. During the year 1999, the County discovered the system was not Y2K compatible. The County ceased making monthly payments on the contract; therefore, Motorola, Inc. took possession of the E-911 equipment. The remaining balance due on the lease-purchase contract in the amount of \$116,456.00 was deleted from the general long-term of the County.