

Mississippi County, Arkansas

**General Purpose Financial Statements
and Other Reports**

December 31, 1999

LEGISLATIVE JOINT AUDITING COMMITTEE



MISSISSIPPI COUNTY, ARKANSAS
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(COMPONENT UNIT COUNTY LIBRARY BOARD FOR THE YEAR ENDED JUNE 30, 1999)

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GENERAL PURPOSE FINANCIAL STATEMENTS

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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

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

We have audited the accompanying general purpose financial statements of Mississippi County, Arkansas, as of and for the year ended December 31, 1999, as listed in the table of contents except that the Component Unit County Library Board is as of June 30, 1999 and for the year then ended. 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. 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 County Library Board/Component Unit, is based on the report of the other auditors.

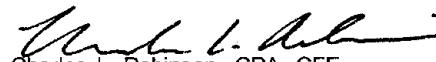
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable 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.

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 Mississippi County, Arkansas, as of December 31, 1999 except that the Component Unit/County Library Board is as of June 30, 1999 and for the year then ended, and the results of its operations 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 12, 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 12, 2000
LOCO04799



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

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

We have audited the general purpose financial statements of Mississippi County, Arkansas, as of and for the year ended December 31, 1999 except that the Component Unit/County Library Board is as of June 30, 1999 and for the year then ended, and have issued our report thereon dated October 12, 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: Steve McGuire
Treasurer: Glenda Moore
Sheriff: Leroy Meadows
Tax Collector: Eileen O'Neal
County Clerk: Jo Ann Morgan, Eupha Sacrider
Circuit Clerk: Donna DeCicco

Our audit procedures indicated that the offices of **County Judge, Sheriff, County Clerk, Circuit Clerk and Tax Collector** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and inadequate internal control procedures were noted in the office of **Treasurer** and are cited below.

The **County Treasurer** placed restricted funds in the General Fund instead of the appropriate Special Revenue accounts, which caused an inaccurate distribution of interest earned and Treasurer's commission charges. Without proper segregation of these funds, the Quorum Court does not receive a detailed summary of the financial condition of the County and cannot monitor the use of such funds.

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 12, 2000

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MISSISSIPPI COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT
 DECEMBER 31, 1999
 COMPONENT UNIT COUNTY LIBRARY BOARD JUNE 30, 1999

	Governmental Fund Types				Fiduciary	Account Groups		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Agency	General Fixed Assets	General Long- Term Debt	Primary Government	County Library Board	Reporting Entity
								December 31, 1999	June 30, 1999	December 31, 1999
ASSETS AND OTHER DEBITS										
Cash and cash equivalents	\$ 3,000,544	\$ 2,196,790	\$ 28,250	\$ 1,297,239	\$ 10,167,166			\$ 16,689,989	\$ 45,085	\$ 16,735,074
Investments (certificates of deposit)					1,038,401			1,038,401		1,038,401
Receivables:										
Accounts	154,844	48,134						202,978		202,978
Taxes	128,355			99,330				227,685		227,685
Interfund receivables	454,620	127,777		1,554,288	10,585			2,147,270		2,147,270
Restricted assets:										
Cash and cash equivalents									36,000	36,000
Investments (certificates of deposit)	53,000							53,000		53,000
Land and buildings						\$ 16,211,408		16,211,408		16,211,408
Equipment						4,252,347		4,252,347		4,252,347
Property, plant and equipment, net									187,769	187,769
Amount available in debt service fund							\$ 28,250	28,250		28,250
Amount available for landfill closure and postclosure care costs							53,000	53,000		53,000
Amount to be provided for retirement of lease-purchase agreements							84,463	84,463		84,463

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT
 DECEMBER 31, 1999
 COMPONENT UNIT COUNTY LIBRARY BOARD JUNE 30, 1999

	Governmental Fund Types				Fiduciary	Account Groups		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Agency	General Fixed Assets	General Long- Term Debt	Primary Government	County Library Board	Reporting Entity
								December 31, 1999	June 30, 1999	December 31, 1999
ASSETS AND OTHER DEBITS (Continued)										
Amount to be provided for retirement of Tourism Revenue Bonds							\$ 36,750	\$ 36,750		\$ 36,750
Amount to be provided for payment of landfill closure and postclosure care costs							727,514	727,514		727,514
TOTAL ASSETS AND OTHER DEBITS	\$ 3,791,363	\$ 2,372,701	\$ 28,250	\$ 2,950,857	\$ 11,216,152	\$ 20,463,755	\$ 929,977	\$ 41,753,055	\$ 268,854	\$ 42,021,909
LIABILITIES AND FUND EQUITY										
Liabilities:										
Accounts payable	\$ 75,312	\$ 51,324						\$ 126,636	\$ 1,208	\$ 127,844
Warrants outstanding	163,901							163,901		163,901
Estimated liability for landfill closure and postclosure care costs							\$ 780,514	780,514		780,514
Bonds, fines and costs pending					\$ 99,210			99,210		99,210
Due to other agencies	22,190				10,787,131			10,809,321		10,809,321
Interfund payables	1,633,128	184,331			329,811			2,147,270		2,147,270

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT
 DECEMBER 31, 1999
 COMPONENT UNIT COUNTY LIBRARY BOARD JUNE 30, 1999

	Governmental Fund Types				Fiduciary Fund Type Agency	Account Groups		Totals (Memorandum Only) Primary Government December 31, 1999	Component Unit County Library Board June 30, 1999	Totals (Memorandum Only) Reporting Entity December 31, 1999
	General	Special Revenue	Debt Service	Capital Projects		General Fixed Assets	General Long- Term Debt			
LIABILITIES AND FUND EQUITY (Continued)										
Liabilities: (Continued)										
Lease-purchase agreements payable							\$ 84,463	\$ 84,463		\$ 84,463
Revenue bonds payable							65,000	65,000		65,000
Total Liabilities	\$ 1,894,531	\$ 235,655			\$ 11,216,152		929,977	14,276,315	\$ 1,208	14,277,523
Fund Equity:										
Investment in general fixed assets							\$ 20,463,755	20,463,755	187,769	20,651,524
Fund balances:										
Reserved:										
Debt service			\$ 28,250					28,250		28,250
County library									36,000	36,000
Landfill closure and postclosure care cost	53,000							53,000		53,000
Unreserved:										
Undesignated	1,843,832	2,137,046		\$ 2,950,857				6,931,735	43,877	6,975,612
Total Fund Equity	1,896,832	2,137,046	28,250	2,950,857	\$ 11,216,152	\$ 20,463,755	\$ 929,977	27,476,740	267,646	27,744,386
TOTAL LIABILITIES AND FUND EQUITY	\$ 3,791,363	\$ 2,372,701	\$ 28,250	\$ 2,950,857	\$ 11,216,152	\$ 20,463,755	\$ 929,977	\$ 41,753,055	\$ 268,854	\$ 42,021,909

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

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MISSISSIPPI COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE YEAR ENDED DECEMBER 31, 1999
 (COMPONENT UNIT COUNTY LIBRARY BOARD FOR THE YEAR ENDED JUNE 30, 1999)

	Governmental Fund Types				Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Primary Government Year Ended December 31, 1999	County Library Board June 30, 1999	Reporting Entity Year Ended December 31, 1999
REVENUES							
Intergovernmental revenues - state	\$ 855,304	\$ 1,871,117			\$ 2,726,421	\$ 74,909	\$ 2,801,330
Intergovernmental revenues - federal		327,521			327,521		327,521
Property taxes	543,167	575,835			1,119,002	282,928	1,401,930
Sales taxes	1,601,894			\$ 1,287,000	2,888,894	206,696	3,095,590
Fines, forfeitures and costs	619,631				619,631		619,631
Investment income	113,643	49,352		53,876	216,871	4,897	221,768
Officers' fees	187,621	199,029			386,650		386,650
Landfill fees	1,322,489				1,322,489		1,322,489
Jail fees	186,980				186,980		186,980
E911 fees		257,665			257,665		257,665
Grant received - Gates Library Foundation						114,117	114,117
Treasurer's commission	105,710	33,000			138,710		138,710
Collector's commission	262,271				262,271		262,271
Taxes apportioned - Assessor's salary and expense	440,319				440,319		440,319
Other	231,218	5,833			237,051	12,272	249,323
TOTAL REVENUES	6,470,247	3,319,352		1,340,876	11,130,475	695,819	11,826,294
Less: Treasurer's commission	71,652	15,476			87,128		87,128
NET REVENUES	6,398,595	3,303,876		1,340,876	11,043,347	695,819	11,739,166

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE YEAR ENDED DECEMBER 31, 1999
 (COMPONENT UNIT COUNTY LIBRARY BOARD FOR THE YEAR ENDED JUNE 30, 1999)

	Governmental Fund Types				Totals (Memorandum Only)	Component Unit County Library Board June 30, 1999	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Primary Government Year Ended December 31, 1999		Reporting Entity Year Ended December 31, 1999
EXPENDITURES							
Current:							
General government	\$ 2,218,774	\$ 29,719			\$ 2,248,493		\$ 2,248,493
Law enforcement	2,109,469	152,735		\$ 1,336,902	3,599,106		3,599,106
Highways and streets		1,431,932			1,431,932		1,431,932
Public safety	12,239	195,261			207,500		207,500
Sanitation	1,200,299				1,200,299		1,200,299
Health	103,817				103,817		103,817
Recreation and culture						\$ 551,960	551,960
Social services	205,436	259,440			464,876		464,876
Total Current	5,850,034	2,069,087		1,336,902	9,256,023	551,960	9,807,983
Capital outlay	189,315	206,996		1,754,634	2,150,945	141,707	2,292,652
Debt service:							
Bond principal			\$ 22,000		22,000		22,000
Bond interest and fiscal charges			9,776		9,776		9,776
Principal reduction on capital lease	15,732	67,054			82,786		82,786
Interest imputed on capital lease	301	11,783			12,084		12,084
TOTAL EXPENDITURES	6,055,382	2,354,920	31,776	3,091,536	11,533,614	693,667	12,227,281
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	343,213	948,956	(31,776)	(1,750,660)	(490,267)	2,152	(488,115)
OTHER FINANCING SOURCES (USES)							
Transfers in			33,676		33,676		33,676
Transfers out	(33,676)				(33,676)		(33,676)

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE YEAR ENDED DECEMBER 31, 1999
 (COMPONENT UNIT COUNTY LIBRARY BOARD FOR THE YEAR ENDED JUNE 30, 1999)

	Governmental Fund Types				Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Primary Government Year Ended December 31, 1999	County Library Board June 30, 1999	Reporting Entity Year Ended December 31, 1999
OTHER FINANCING SOURCES (USES) (Continued)							
Value of traded in equipment		\$ 32,000			\$ 32,000		\$ 32,000
Insurance proceeds	\$ 17,331				17,331		17,331
Sale of fixed assets	16,350				16,350		16,350
TOTAL OTHER FINANCING SOURCES (USES)	5	32,000	\$ 33,676		65,681		65,681
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	343,218	980,956	1,900	\$ (1,750,660)	(424,586)	\$ 2,152	(422,434)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	1,629,026	1,080,678	26,350	4,701,517	7,437,571	77,725	7,515,296
Reclassification adjustment - to establish Special Revenue Funds	(75,412)	75,412					
FUND BALANCES - JANUARY 1, AS RESTATED	1,553,614	1,156,090	26,350	4,701,517	7,437,571	77,725	7,515,296
FUND BALANCES - DECEMBER 31	<u>\$ 1,896,832</u>	<u>\$ 2,137,046</u>	<u>\$ 28,250</u>	<u>\$ 2,950,857</u>	<u>\$ 7,012,985</u>	<u>\$ 79,877</u>	<u>\$ 7,092,862</u>

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

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MISSISSIPPI 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

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES						
Intergovernmental revenues - state	\$ 999,322	\$ 855,304	\$ (144,018)	\$ 1,609,150	\$ 1,871,117	\$ 261,967
Intergovernmental revenues - federal				24,900	327,521	302,621
Property taxes	415,000	543,167	128,167	562,000	575,835	13,835
Sales taxes	1,690,000	1,601,894	(88,106)			
Fines, forfeitures and costs	591,680	619,631	27,951			
Investment income	75,000	113,643	38,643	28,000	49,352	21,352
Officers' fees	213,000	187,621	(25,379)	125,500	199,029	73,529
Landfill fees	1,450,700	1,322,489	(128,211)			
Jail fees	225,000	186,980	(38,020)			
E911 fees				200,000	257,665	57,665
Treasurer's commission	300,000	105,710	(194,290)		33,000	33,000
Collector's commission	300,000	262,271	(37,729)			
Taxes apportioned - Assessor's salary and expense	400,000	440,319	40,319			
Other	276,800	231,218	(45,582)	84,800	5,833	(78,967)
TOTAL REVENUES	6,936,502	6,470,247	(466,255)	2,634,350	3,319,352	685,002
Less: Treasurer's commission		71,652	(71,652)		15,476	(15,476)
NET REVENUES	6,936,502	6,398,595	(537,907)	2,634,350	3,303,876	669,526
EXPENDITURES						
Current:						
General government	2,262,256	2,218,774	43,482	53,930	29,719	24,211
Law enforcement	3,759,683	2,109,469	1,650,214	156,881	152,735	4,146
Highways and streets				1,596,562	1,431,932	164,630
Public safety	12,822	12,239	583	197,261	195,261	2,000
Sanitation	1,311,318	1,200,299	111,019			
Health	104,850	103,817	1,033			
Social services	341,242	205,436	135,806	259,440	259,440	
Total Current	7,792,171	5,850,034	1,942,137	2,264,074	2,069,087	194,987

MISSISSIPPI 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

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
EXPENDITURES (Continued)						
Capital outlay		\$ 189,315	\$ (189,315)	\$ 370,000	\$ 174,996	\$ 195,004
Debt service:						
Principal reduction on capital lease		15,732	(15,732)		67,054	(67,054)
Interest imputed on capital lease		301	(301)		11,783	(11,783)
TOTAL EXPENDITURES	\$ 7,792,171	6,055,382	1,736,789	2,634,074	2,322,920	311,154
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(855,669)	343,213	1,198,882	276	980,956	980,680
OTHER FINANCING SOURCES (USES)						
Transfers out		(33,676)	(33,676)			
Insurance proceeds		17,331	17,331			
Sale of fixed assets		16,350	16,350			
TOTAL OTHER FINANCING SOURCES (USES)		5	5			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(855,669)	343,218	1,198,887	276	980,956	980,680

MISSISSIPPI 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

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	\$ 1,629,026	\$ 1,629,026		\$ 1,080,678	\$ 1,080,678	
Reclassification adjustment - To establish Special Revenue Funds		(75,412)	\$ (75,412)		75,412	\$ 75,412
FUND BALANCES - JANUARY 1, AS RESTATED	<u>1,629,026</u>	<u>1,553,614</u>	<u>(75,412)</u>	<u>1,080,678</u>	<u>1,156,090</u>	<u>75,412</u>
FUND BALANCES - DECEMBER 31	<u>\$ 773,357</u>	<u>\$ 1,896,832</u>	<u>\$ 1,123,475</u>	<u>\$ 1,080,954</u>	<u>\$ 2,137,046</u>	<u>\$ 1,056,092</u>

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

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS - PRIMARY GOVERNMENT
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 unit. The component unit discussed below is included in the County's reporting as a discretely presented component unit because of the significance of its operational or financial relationship with the County.

Discretely presented component unit

County Library Board - The County Library Board was established by the Mississippi County Quorum Court in accordance with Ark. Code Ann. 14-14-701 through 14-14-712. Control by or dependence on the County was determined by the appointment and confirmation of the board of directors and by approval of the budget by the Quorum Court. Complete financial statements of the component unit can be obtained from the Mississippi County Library, 200 N. 5th Street, Blytheville, Arkansas 72315.

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 (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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

Debt Service Fund - 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.

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.

General Long-Term Debt - This group of accounts is established to account for all long-term debt of the entity.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS - PRIMARY GOVERNMENT
DECEMBER 31, 1999

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

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

D. Fixed Assets

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.

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.

G. Investments

Certificates of deposit are reported at cost.

H. Inventory

The cost of governmental fund type inventories is recorded as an expenditure when purchased rather than when consumed (purchase method). The County had no significant inventories in the governmental fund types.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS - PRIMARY GOVERNMENT
DECEMBER 31, 1999

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. Fund Equity

Fund Balance -

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

J. Budgetary Controls

1. Legal Requirements

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

2. Accounting

The County prepared an annual budget on the modified accrual basis for the General Fund and all the Special Revenue Funds. Formal budgetary policies are not employed for the Fiduciary Fund types and the Capital Projects Fund and the Debt Service 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.

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.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS - PRIMARY GOVERNMENT
DECEMBER 31, 1999

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:

(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 General Fund heading as it appears in the financial statements includes the following accounts: County General and Landfill.

The Special Revenue Fund heading as it appears in the financial statements includes the following funds: County Road, COPS Grant, Communication Facility and Equipment, Boating Safety, Child Support Collection Cost, County Recorder's Cost, Juvenile, Sheriff's Special Block Grant, Sheriff's Helicopter, Emergency Medical, Emergency 911, Treasurer's Automation and Senior Citizens.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS - PRIMARY GOVERNMENT
DECEMBER 31, 1999

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

<u>Fund</u>	<u>December 31, 1999</u>	
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 454,620	\$ 1,633,128
Special Revenue Funds:		
Road	34,963	
COPS Grant	145	52,172
Communication Facility and Equipment	3,491	27,282
County Recorder Cost Fund	87,538	
Juvenile Office	790	1,412
Sheriff's Special Block Grant	152	52,612
Sheriff's Helicopter	46	
Emergency Medical	50	
Emergency 911	455	50,853
Treasurer's Automation	89	
Senior Citizens	58	
Agency Funds:		
ISA Interest		10,483
Treasurer's Interest		3,027
Treasurer's Commission		238,611
State Land		1,023
Administration of Justice	10,585	10,065
Delinquent Real		5,950
Delinquent Personal		10,230
Delinquent Improvement		585
Sheriff - Fee Account		24,858
Circuit Clerk - Fee Account		20,828
Juvenile Office - Fees		975
County Clerk - Fee		3,176
Capital Projects	<u>1,554,288</u>	
Totals	<u>\$ 2,147,270</u>	<u>\$ 2,147,270</u>

NOTE 7: Changes in General Fixed Assets

	<u>Balance January 1, 1999</u>	<u>Additions</u>	<u>Reclassified</u>	<u>Deletions</u>	<u>Balance December 31, 1999</u>
Land and buildings	\$ 2,940,437	\$ 1,754,634	\$ 11,516,337		\$ 16,211,408
Equipment	3,998,078	396,311		\$ 142,042	4,252,347
Construction in progress	<u>11,516,337</u>		<u>(11,516,337)</u>		
Totals	<u>\$ 18,454,852</u>	<u>\$ 2,150,945</u>	<u>\$ 0</u>	<u>\$ 142,042</u>	<u>\$ 20,463,755</u>

MISSISSIPPI COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS - PRIMARY GOVERNMENT
 DECEMBER 31, 1999

NOTE 8: Compensated Absences

Compensated absences do not vest or accumulate.

NOTE 9: General Long-Term Debt

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

	<u>December 31, 1999</u>
1982 Tourism Revenue bonds due in annual installments of \$7,000 - \$27,000 plus interest through January 1, 2002; interest at 10 percent. Payments are to be made from the General Fund. (Note 15)	\$ 65,000
Lease-purchase agreement entered on April 24, 1998, with Caterpillar Financial Services Corporation on the purchase of one (1) used Caterpillar motor grader, monthly installments of \$2,545.59 for sixty (60) months. Payments are to be made from the Road Fund.	84,463
Estimated liability for landfill closure and postclosure care costs.	<u>780,514</u>
Total Debt	<u><u>\$ 929,977</u></u>

NOTE 10: Changes in General Long-Term Debt

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

	<u>1999</u>
General Long-Term Debt at January 1	\$ 254,249
Additions:	
Landfill closure and postclosure care costs	780,514
Deletions:	
Bonds retired	22,000
Lease payments	<u>82,786</u>
General Long-Term Debt at December 31	<u><u>\$ 929,977</u></u>

MISSISSIPPI COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS - PRIMARY GOVERNMENT
 DECEMBER 31, 1999

NOTE 11: Debt Service Requirements to Maturity

Annual requirements to amortize outstanding bonded debt are as follows:

<u>Years Ending December 31</u>	<u>December 1999</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 25,000	\$ 5,250	\$ 30,250
2001	27,000	2,650	29,650
2002	13,000	650	13,650
Totals	<u>\$ 65,000</u>	<u>\$ 8,550</u>	<u>\$ 73,550</u>

The reserve in the Debt Service Fund is \$28,250 as of December 31, 1999.

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

NOTE 12: Capital Leases

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

<u>Class of Property</u>	<u>Asset Balance December 31, 1999</u>
Road equipment	<u>\$ 119,810</u>

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

<u>Years Ending December 31,</u>	
2000	\$ 30,547
2001	30,547
2002	30,547
2003	7,637
Minimum Lease Payment	<u>99,278</u>
Less: Amount representing interest	<u>14,815</u>
Net Lease Payments	<u>\$ 84,463</u>

NOTE 13: Legal Debt Limit - Tax Secured Bond Issues

The County is subject to a constitutional limitation for bonded indebtedness equal to ten percent (10%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 1999, the legal debt limit for the County was \$33,574,515.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS - PRIMARY GOVERNMENT
DECEMBER 31, 1999

NOTE 14: Federal Funds Program Compliance

A separate report was issued for the Mississippi County Senior Citizens Fund grant for the year ended June 30, 1999. No material instances of noncompliance were reported in the aforementioned report.

NOTE 15: Tourism Revenue Bonds

On June 1, 1982, Mississippi County issued ten percent (10%) tourism revenue bonds as authorized by Ordinance No. 82-4 and Ark. Code Ann. 14-170-201 through 14-170-203 in the amount of \$300,000. These bonds were issued for the purpose of promoting tourism and providing recreational facilities in the County, particularly the Lake Neark construction project. The following information is pertinent to this Tourism Revenue Bond issue:

A. General Long-Term Debt

These bonds are special obligation bonds of Mississippi County and do not constitute an indebtedness of the County within the meaning of any constitutional or statutory limitation. The bonds are to be retired from revenues, if any, derived from the use of the recreational facilities. There are no revenues presently being collected nor are there any intentions to collect revenues from the use of the recreational facilities. The County had agreed that if user fees were not sufficient to make principal and interest payments, payments would be made out of the County General Fund. Accordingly, these bonds are reflected in the accompanying financial statements as general long-term debt. Bonds outstanding as of December 31, 1999 amounted to \$65,000.

B. Interest Rate

The issuance of tourism revenue bonds under the provisions of Ark. Code Ann. 14-170-201 through 14-170-203 has been reviewed by the Arkansas Supreme Court in Purvis vs. City of Little Rock (282 Ark. 102 667 S. W. 2d, 936, 1984). The Court held that these codes are invalid when they purport to allow the bonds to be issued for interest in excess of the six percent (6%) per annum Amendment No. 49 limitations.

C. Redemption of Bonds Before Maturity

These bonds may be redeemed prior to maturity in accordance with Article III, Section 301 of the bond trust indenture which states, in part, "... the bonds shall be redeemed ... in inverse numerical order ..." On January 1, 1983, bonds in the amount of \$100,000 were redeemed prior to maturity; however, only \$50,000 was redeemed in inverse numerical order. The remaining \$50,000 redeemed were various bond numbers with assorted maturity dates.

NOTE 16: Commitments

The County entered into a noncancellable lease agreement for a 1999 Mercury Grand Marquis on December 17, 1998. Terms of the lease are monthly rental payments of \$674.23 for 24 months. At the end of the lease term, the County will return the car to Blytheville Ford.

The County entered into a noncancellable lease agreement for a 1999 Ford F150 Pickup on January 22, 1999. Terms of the lease are monthly rental payments of \$437.09 for 36 months. At the end of the lease term, the County will return the truck to Blytheville Ford.

The County entered into a noncancellable lease agreement for a 1999 Ford Ranger Pickup on March 25, 1999. Terms of the lease are monthly rental payments of \$222.36 for 36 months. At the end of the lease term, the County will return the truck to Blytheville Ford.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS - PRIMARY GOVERNMENT
DECEMBER 31, 1999

NOTE 16: Commitments (Continued)

The County entered into a noncancellable lease agreement for a 1999 Mercury Grand Marquis on February 3, 1999. Terms of the lease are monthly rental payments of \$632.19 for 24 months. At the end of the lease term, the County will return the car to Blytheville Ford.

The County entered into a noncancellable lease agreement for a 1999 New Holland 8970 Tractor on July 1, 1999. Terms of the lease are yearly rental payments of \$13,153.13 for 3 years. At the end of the lease term, the County will return the tractor to New Holland.

The County is obligated for the following amounts for the next three years:

<u>Year</u>	<u>Amount</u>
2000	\$ 36,070
2001	21,699
2002	<u>445</u>
Total	<u>\$ 58,214</u>

Rental expense for 1999 was \$234,464.

NOTE 17: Unbudgeted Items

The County does not recognize other sources of funds and the related expenditure regarding the value of traded in equipment. 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:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance January 1, 1999</u>	<u>Residual Equity Transfer In (Out)</u>	<u>Fund Balance December 31, 1999</u>
General Fund:						
Actual (Exhibit B)	\$ 3,303,876	\$ 2,354,920	\$ 32,000	\$ 1,156,090		\$ 2,137,046
Plus (Minus) unbudgeted audit adjustments:						
Value of traded in equipment		<u>(32,000)</u>	<u>(32,000)</u>			
Actual (Exhibit C)	<u>\$ 3,303,876</u>	<u>\$ 2,322,920</u>	<u>\$ 0</u>	<u>\$ 1,156,090</u>	<u>\$ 0</u>	<u>\$ 2,137,046</u>

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS - PRIMARY GOVERNMENT
DECEMBER 31, 1999

NOTE 18: Joint Venture: Mississippi County/Crittenden County Regional Library

Mississippi and Crittenden counties entered into an agreement in July 1991 in accordance with Ark. Code Ann. 13-2-401 to establish the Mississippi County/Crittenden County Regional Library. The agreement states that the purpose for forming the regional library is "... providing improved library services to the people of the two (2) counties. Each county shall provide its own library facilities and exercise exclusive control, ownership and management thereof, and pay the salaries of regional county library personnel in that county." The business of the Mississippi County/Crittenden County Regional Library is to be conducted by a Regional Board; composed of the two (2) administrative county boards (10 members) which boards shall continue to function over their respective systems. The Regional Library Board shall approve the employment and termination of regional library personnel, the regional budget and expenditures, and regional library policies. The system headquarters shall be in Mississippi County, Arkansas.

The 1999 financial statements of the Mississippi County/Crittenden County Regional Library have not been audited.

NOTE 19: Closure and Postclosure Care Costs

State and federal laws require that Mississippi County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County is required to recognize a portion of these closure and postclosure care costs each year based on landfill capacity used as of each balance sheet date. The estimated liability for landfill closure and postclosure care costs has a balance of \$780,514 as of December 31, 1999, which is based on 84 percent use of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$148,669 as the remaining estimated capacity if filled. These amounts are based on what it would cost to perform all closure and postclosure care in 1999. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Quorum Court set aside in 1998 \$50,000 for closure and postclosure care costs and intended to do the same each year in the future; however, a contribution was not made for 1999. To date, \$3,000 in interest has been added.

NOTE 20: Insurance

The County insures vehicles being leased or lease-purchased in order to satisfy vendors' requests. All other equipment has no other insurance coverage. The County cites the tort immunity clause in defense of liability for the County, but in the case of damage from a disaster, the County would reflect a loss for those items.

NOTE 21: Hospital System Lease Agreement

On September 28, 1990, the County, together with the board of governors of the Mississippi County Hospital System, entered a lease agreement with the Baptist Memorial Health Care System, Inc., a Tennessee nonprofit corporation.

The leased property consists of the following: an 82-bed general acute care hospital and two physician office buildings located in Osceola, Arkansas; and a 158-bed general acute care hospital, a 70-bed nursing home and a physician office building located in Blytheville, Arkansas.

The lease term commenced on December 1, 1990 and was amended May 1, 1992, with an expiration date of November 30, 2020 with optional termination dates of November 30, 2002, November 30, 2008 or November 30, 2014, provided the lessee has notified the lessor in writing at least one hundred eighty (180) days in advance.

MISSISSIPPI COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS - PRIMARY GOVERNMENT
 DECEMBER 31, 1999

NOTE 21: Hospital System Lease Agreement (Continued)

The lessor agrees to pay rent subject to the Trust Indenture dated May 1, 1992 between the lessor and the National Bank of Commerce, Memphis, Tennessee, trustee for the Mississippi County, Arkansas, Hospital Revenue Bond Series 1992.

At any time that the principal of, and all interest and premium (if any) on the bonds shall have been paid in full or provision for the payment thereof shall have been made in accordance with the terms of the indenture, lessee shall pay to lessor an amount equal to one dollar (\$1.00) per year for the remainder of the lease term, due and payable on or before the first day of each year of the lease term.

Mississippi County, Arkansas 1975 Hospital Revenue Bonds, Series A and B, dated November 1, 1975, were retired August 31, 1994, and in accordance with the escrow agreement, the trustee paid the County \$61,264.66, which represented the balance remaining in the escrow account after retirement of the bonds.

NOTE 22: Changes in Reserved Fund Balance - General Fund

	<u>Balance January 1, 1999</u>	<u>Excess of Revenues Over Expenditures</u>	<u>Balance December 31, 1999</u>
Landfill closure and postclosure care costs	<u>\$ 50,000</u>	<u>\$ 3,000</u>	<u>\$ 53,000</u>

NOTE 23: 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 \$215,671.29, \$182,791.66, and \$171,377.40, respectively, equal to the required contributions for each year.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS - COMPONENT UNIT - COUNTY LIBRARY BOARD
JUNE 30, 1999

Summary of Significant Accounting Policies

The accounting policies of the Mississippi County Library System conform to generally accepted accounting principles applicable to governments as defined in Statements 1-7 of the National Council on Governmental Accounting (NCGA). The following is a summary of the more significant accounting principles.

Reporting Entity: The Mississippi County Library System is an entity related to Mississippi County, Arkansas which is controlled by or dependent on the County's governing body. Control by or dependence on the County was determined on the basis of appointment and confirmation of board of directors. These financial statements represent only the activities of the Mississippi County Library System, a special revenue fund established to provide library services to the residents of Mississippi County, Arkansas, and are not intended to present financial position or results of operations of the County or any of its other activities. These financial statements do not include activity of the Mississippi County Community College Library.

Basis of Accounting: The financial statements are prepared on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual; that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liabilities are incurred.

Cash: All public funds must be deposited in banks located in the State of Arkansas. At June 30, 1999, the carrying amount of the Library System's deposits was \$81,085 and the bank balance was \$146,254. The County has not determined the amount of the Library System's funds which were insured by federal deposit insurance or collateralized by United States government obligations as of June 30, 1999.

Restricted Assets/Reserved Fund Balance: Endowments from which only the income may be used for current operations are reported as restricted assets. An equal amount of the fund balance is reserved to indicate that the endowments are not available for current expenditures.

Fixed Assets: Fixed assets are recorded at the time of purchase. They are accumulated and accounted for in accordance with generally accepted accounting principles as they relate to component units. Various governmental and not-for-profit entities provide buildings to the Library System free of rent.

Sales Tax: Sales taxes are levied monthly due to a one percent sales tax passed by Mississippi County, Arkansas residents in October 1998 which went into effect January 1, 1999. Sales taxes are collected by the State of Arkansas and the State remits the money to the County Treasurer who directly sends the money to the Mississippi County Library System.

Property Taxes: Property taxes are levied annually during the month of October. The taxes are due and payable from the third Monday in February through the tenth day of October in the year succeeding the year in which the levy is made. Property taxes are collected by the County Treasurer and remitted to the Mississippi County Library System directly and through the City of Blytheville, Arkansas.

Pension Plan

The Library System contributes to a defined contribution pension plan administered by the State of Arkansas.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specified how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

MISSISSIPPI COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS - COMPONENT UNIT - COUNTY LIBRARY BOARD
 JUNE 30, 1999

Pension Plan (Continued)

The Library System contributes 6% of full-time employee gross earnings to the pension plan. Each plan participant may voluntarily contribute up to an additional 6% of his gross earnings.

During the year ended June 30, 1999, the Library System's required and actual contributions were \$5,773. Contributions are 6% of covered payroll totaling \$96,224. Plan participants also made \$2,183 in voluntary contributions.

No pension provision changes occurred during the year that affected the required contributions to be made by the Mississippi County Library System or its employees.

The pension plan held no securities of the County or other related parties during the year.

In-Kind Contributions

During the year ended June 30, 1999, Mississippi County Community College contributed services to the Library System valued at approximately \$99,000 which are not recorded as revenues and expenditures in the financial statements.

Grants Received

The Library System was awarded a grant totaling \$114,117 by the Gates Library Foundation. The grant proceeds were used to purchase computers and computer related equipment.

Year 2000 Issues

Shortcomings in many electronic data processing systems and other equipment may adversely affect operations in the year 1999 and beyond. Many computer programs may not be able to distinguish between the year 2000 and the year 1990. This may cause the programs to process data inaccurately or to stop processing altogether.

Mississippi County Library System substantially relies on electronic systems for processing all checks, payroll, and general ledger information. The company's data processing consulting firm has updated the system in anticipation of the year 2000 reporting and processing problems.

Property, Plant and Equipment

Activity for fixed assets capitalized by Mississippi County Library System is summarized below:

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Furniture and fixtures	\$ 46,062			\$ 46,062
Computers		\$ 141,707		141,707
Totals	<u>\$ 46,062</u>	<u>\$ 141,707</u>	<u>\$ 0</u>	<u>\$ 187,769</u>