

Mississippi County, Arkansas

**General Purpose Financial Statements
and Other Reports**

December 31, 2000

LEGISLATIVE JOINT AUDITING COMMITTEE



MISSISSIPPI COUNTY, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2000

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Sen. Kevin A. Smith
Senate Co-Chair
Rep. Danny W. Ferguson
House Co-Chair
Sen. Henry "Hank" Wilkins, IV
Senate Co-Vice Chair
Rep. Tommy Roebuck
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

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, 2000, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the financial information for the Mississippi County Library System and do not disclose certain required information concerning deposits and investments which should be included in order to conform with generally accepted accounting principles. Because of the departure from generally accepted accounting principles identified above, the (component unit) assets, liabilities, revenues and expenditures as of December 31, 2000 would have increased by \$409,517, \$10,361, \$792,717 and \$695,378, respectively.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the general purpose financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Mississippi County, Arkansas, as of December 31, 2000, or the results of its operations for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2001 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DIVISION OF LEGISLATIVE AUDIT

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

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
December 5, 2001
LOCO04700

Sen. Kevin A. Smith
Senate Co-Chair
Rep. Danny W. Ferguson
House Co-Chair
Sen. Henry "Hank" Wilkins, IV
Senate Co-Vice Chair
Rep. Tommy Roebuck
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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, 2000 and have issued our report thereon dated December 5, 2001. In our report, our opinion was adverse because of the effects on the financial statements of not including all financial information of the reporting entity in the general purpose financial statements. Also, the required disclosures were not made concerning deposits and investments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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.

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 2000:

County Judge: Steve McGuire
Treasurer: Glenda Moore
Sheriff: Leroy Meadows
Tax Collector: Eileen O'Neil
County Clerk: Lib Shippen
Circuit Clerk: Donna DiCicco

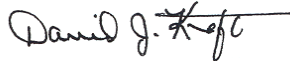
Our audit procedures indicated that the Offices of **County Judge**, **Sheriff**, **County Clerk** and **Circuit Clerk** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and inadequate internal control procedures were noted in the Offices of **Treasurer**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

Restricted funds again were placed in the General Fund by the **County Treasurer** instead of the appropriate special revenue accounts. The segregation of these funds allows proper interest distribution and gives the Quorum Court accurate information on the various funds for budgeting and monitoring of the use of these funds.

The **Tax Collector** did not make monetary tax settlements with the County Treasurer and other entities until after year-end. This resulted in the final tax settlement not being prepared until April 20, 2001 and delayed financial information being available to the County and other entities for budget planning and payment of current expenditures.

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
December 5, 2001

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2000

Exhibit A

	Governmental Fund Types			Fiduciary Fund Type Agency	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service		General Fixed Assets	General Long- Term Debt	December 31, 2000
ASSETS AND OTHER DEBITS							
Cash and cash equivalents	\$ 1,697,284	\$ 3,295,336	\$ 29,000	\$ 10,582,679			\$ 15,604,299
Receivables:							
Accounts	192,545	189,674		22,973			405,192
Taxes	125,089	96,803					221,892
Interfund receivables	1,193,194	797,325		128,031			2,118,550
Restricted assets:							
Investments (Certificates of deposit)	108,704						108,704
Land and buildings					\$ 16,250,314		16,250,314
Equipment					4,538,032		4,538,032
Construction in progress					7,457		7,457
Amount available in debt service fund						\$ 29,000	29,000
Amount available for landfill closure and postclosure care costs						108,704	108,704
Amount to be provided for retirement of general long-term debt						724,517	724,517
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 3,316,816</u>	<u>\$ 4,379,138</u>	<u>\$ 29,000</u>	<u>\$ 10,733,683</u>	<u>\$ 20,795,803</u>	<u>\$ 862,221</u>	<u>\$ 40,116,661</u>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 64,181	\$ 10,002					\$ 74,183
Warrants outstanding	100,489						100,489
Estimated liability for landfill closure and postclosure care costs						\$ 760,901	760,901
Bonds, fines and costs pending				\$ 15,697			15,697
Due to other agencies	1,590			9,419,895			9,421,485
Interfund payables	696,879	123,580		1,298,091			2,118,550
Lease-purchase agreements payable						61,320	61,320
Revenue bonds payable						40,000	40,000
Total Liabilities	<u>863,139</u>	<u>133,582</u>		<u>10,733,683</u>		<u>862,221</u>	<u>12,592,625</u>

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2000

Exhibit A

	Governmental Fund Types			Fiduciary Fund Type Agency	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service		General Fixed Assets	General Long- Term Debt	December 31, 2000
LIABILITIES AND FUND EQUITY (CONTINUED)							
Fund Equity:							
Investment in general fixed assets					\$20,795,803		\$ 20,795,803
Fund balances:							
Reserved:							
Debt service			\$ 29,000				29,000
Landfill closure and postclosure care cost	\$ 108,704						108,704
Unreserved:							
Undesignated	2,344,973	\$4,245,556					6,590,529
Total Fund Equity	<u>2,453,677</u>	<u>4,245,556</u>	<u>29,000</u>		<u>20,795,803</u>		<u>27,524,036</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u><u>\$3,316,816</u></u>	 <u><u>\$4,379,138</u></u>	 <u><u>\$ 29,000</u></u>	 <u><u>\$10,733,683</u></u>	 <u><u>\$20,795,803</u></u>	 <u><u>\$ 862,221</u></u>	 <u><u>\$ 40,116,661</u></u>

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

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2000

Exhibit B

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Year Ended December 31, 2000
REVENUES					
Intergovernmental revenues - state	\$ 703,617	\$ 1,719,122			\$ 2,422,739
Intergovernmental revenues - federal		369,597			369,597
Property taxes	481,513	560,681			1,042,194
Sales taxes	1,621,391	1,254,741			2,876,132
Fines, forfeitures and costs	673,610				673,610
Investment income	89,457	153,604			243,061
Officers' fees	107,760	215,994			323,754
E-911 fees		304,320			304,320
Landfill fees	1,462,401				1,462,401
Jail fees	245,673				245,673
Treasurer's commission	119,000	37,190			156,190
Collector's commission	302,279				302,279
Taxes apportioned - Assessor's salary and expense	406,594				406,594
Other	144,564	14,767			159,331
TOTAL REVENUES	6,357,859	4,630,016			10,987,875
Less: Treasurer's commission	72,545	26,543			99,088
NET REVENUES	6,285,314	4,603,473			10,888,787
EXPENDITURES					
Current:					
General government	2,166,004	193,576	\$ 1,357		2,360,937
Law enforcement	1,874,085	2,039,914			3,913,999
Highways and streets		2,282,965			2,282,965
Public safety		217,631			217,631
Sanitation	1,141,084				1,141,084
Health	78,581				78,581
Social services	153,888	566,162			720,050
Total Current	5,413,642	5,300,248	1,357		10,715,247

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2000

Exhibit B

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Year Ended December 31, 2000
EXPENDITURES (CONTINUED)					
Capital outlay	\$ 268,379	\$ 212,420			\$ 480,799
Debt service:					
Bond principal			\$ 25,000		25,000
Bond interest and fiscal charges			5,250		5,250
Principal reduction on capital lease		23,142			23,142
Interest imputed on capital lease		7,405			7,405
TOTAL EXPENDITURES	5,682,021	5,543,215	31,607		11,256,843
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	603,293	(939,742)	(31,607)		(368,056)
OTHER FINANCING SOURCES (USES)					
Transfers in		632,785	32,357		665,142
Transfers out	(64,752)	(600,390)			(665,142)
Value of donated capital	6,000				6,000
Value of traded in equipment		65,000			65,000
TOTAL OTHER FINANCING SOURCES (USES)	(58,752)	97,395	32,357		71,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	544,541	(842,347)	750		(297,056)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	1,896,832	2,137,046	28,250	\$ 2,950,857	7,012,985
Restatement adjustment - to include firing range fund omitted in prior year	12,304				12,304
FUND BALANCES - JANUARY 1, AS RESTATED	1,909,136	2,137,046	28,250	2,950,857	7,025,289
Residual equity transfer in		2,950,857			2,950,857
Residual equity transfer out				(2,950,857)	(2,950,857)
FUND BALANCES - DECEMBER 31	\$ 2,453,677	\$ 4,245,556	\$ 29,000	\$ 0	\$ 6,728,233

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

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, 2000

Exhibit C

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES						
Intergovernmental revenues - state	\$ 785,074	\$ 703,617	\$ (81,457)	\$ 1,845,627	\$ 1,400,984	\$ (444,643)
Intergovernmental revenues - federal				256,000	369,597	113,597
Property taxes	470,000	481,513	11,513	527,900	560,681	32,781
Sales taxes	1,648,259	1,621,391	(26,868)	1,254,740	1,254,741	1
Fines, forfeitures and costs	586,100	673,610	87,510			
Investment income	24,559	89,457	64,898	99,441	153,148	53,707
Officers' fees	212,557	107,760	(104,797)	200,693	215,994	15,301
E-911 fees				237,000	304,320	67,320
Landfill fees	1,400,000	1,462,401	62,401			
Jail fees	245,000	245,673	673			
Treasurer's commission	300,000	119,000	(181,000)	30,000	37,190	7,190
Collector's commission	300,000	302,279	2,279	12,000		(12,000)
Taxes apportioned - Assessor's salary and expense	425,000	406,594	(18,406)			
Other	312,200	144,564	(167,636)	88,000	14,667	(73,333)
TOTAL REVENUES	6,708,749	6,357,859	(350,890)	4,551,401	4,311,322	(240,079)
Less: Treasurer's commission		72,545	(72,545)		26,543	(26,543)
NET REVENUES	6,708,749	6,285,314	(423,435)	4,551,401	4,284,779	(266,622)
EXPENDITURES						
Current:						
General government	2,463,752	2,166,004	297,748	259,550	193,576	65,974
Law enforcement	2,264,641	1,874,085	390,556	2,168,209	2,039,914	128,295
Highways and streets				2,563,439	2,282,965	280,474
Public safety				245,706	217,631	28,075
Sanitation	1,212,071	1,141,084	70,987			
Health	85,739	78,581	7,158			
Social services	311,247	153,888	157,359	330,000	322,701	7,299
Total Current	6,337,450	5,413,642	923,808	5,566,904	5,056,787	510,117

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, 2000

Exhibit C

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
EXPENDITURES (CONTINUED)						
Capital outlay		\$ 262,379	\$ (262,379)		\$ 147,420	\$ (147,420)
Debt service:						
Principal reduction on capital lease					23,142	(23,142)
Interest imputed on capital lease					7,405	(7,405)
TOTAL EXPENDITURES	<u>\$ 6,337,450</u>	<u>5,676,021</u>	<u>661,429</u>	<u>\$ 5,566,904</u>	<u>5,234,754</u>	<u>332,150</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>371,299</u>	<u>609,293</u>	<u>237,994</u>	<u>(1,015,503)</u>	<u>(949,975)</u>	<u>65,528</u>
OTHER FINANCING SOURCES (USES)						
Transfers in					632,785	632,785
Transfers out		<u>(64,752)</u>	<u>(64,752)</u>		<u>(600,390)</u>	<u>(600,390)</u>
TOTAL OTHER FINANCING SOURCES (USES)		<u>(64,752)</u>	<u>(64,752)</u>		<u>32,395</u>	<u>32,395</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>371,299</u>	<u>544,541</u>	<u>173,242</u>	<u>(1,015,503)</u>	<u>(917,580)</u>	<u>97,923</u>
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	1,896,832	1,896,832		2,137,046	2,137,046	
Restatement adjustment - to include firing range fund omitted in prior year		<u>12,304</u>	<u>12,304</u>			
FUND BALANCES - JANUARY 1, AS RESTATED	<u>1,896,832</u>	<u>1,909,136</u>	<u>12,304</u>	<u>2,137,046</u>	<u>2,137,046</u>	
Residual equity transfer in				<u>2,950,857</u>	<u>2,950,857</u>	
FUND BALANCES - DECEMBER 31	<u>\$ 2,268,131</u>	<u>\$ 2,453,677</u>	<u>\$ 185,546</u>	<u>\$ 4,072,400</u>	<u>\$ 4,170,323</u>	<u>\$ 97,923</u>

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

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

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 required to be included in the County's reporting entity 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 and 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 Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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
DECEMBER 31, 2000

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

1. General fixed assets purchased are recorded as expenditures at the time of purchase. Such assets excluding infrastructure assets are capitalized at cost in the general fixed assets group of accounts. Gifts or contributions or general fixed assets purchased at nominal sums are generally recorded in the general fixed assets group of accounts at fair market value at the time received. Infrastructure assets, such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and other elements of public domain are not reported in the general fixed assets group of accounts. Such assets are immovable and of value only to the County. No depreciation has been provided on general fixed assets. Interest incurred during construction is not capitalized.
2. Donated property consisting of equipment in the amount of \$6,000 was added to 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
DECEMBER 31, 2000

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 except for the Transitional Employee Assistance Coalition Fund. Formal budgetary policies are not employed for the Fiduciary Fund Types and the Capital Projects and 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.

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:

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 3: Public Fund Deposits and Investments (Continued)

(A) Information disclosing whether deposits are:

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

(B) Information disclosing whether investments are:

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

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

NOTE 4: Legal or Contractual Provisions for Deposits and Investments

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

NOTE 5: Fund Presentation

The General Fund heading as it appears in the financial statements includes the following accounts: County General, Landfill and Firing Range.

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, Senior Citizens, Drug Task Force, County Jail, Economic Development Administration and Transitional Employee Assistance Coalition.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2000	
	Interfund Receivables	Interfund Payables
General Fund	\$ 1,193,194	\$ 696,879
Special Revenue Funds:		
Road	74,005	
COPS Grant	2	
Communication Facility and Equipment	8,489	
Child Support Collection Cost	145	
County Recorder's Cost	20,261	
Juvenile	1,175	
County Jail	689,087	
Sheriff's Special Block Grant	777	
Sheriff's Helicopter	112	
Emergency Medical	139	
Emergency 911	1,538	44,078
Treasurer's Automation	354	
Senior Citizens	574	79,502
Drug Task Force	278	
Economic Development Administration	389	
Agency Funds:		
Current Tax - Treasurer	118,142	815,076
State Land		1,696
Collector's Interest		3,330
Treasurer's Commission		255,849
Treasurer's Interest		3,112
ISA Interest		26,935
Current Tax - Collector		118,142
Delinquent Personal		8,946
Delinquent Real		4,768
Delinquent Improvement		877
Sheriff - Fee Account		27,008
County Clerk - Fee Account		1,784
Circuit Clerk - Fee Account		18,393
Administration of Justice	9,889	10,245
Juvenile Office		1,930
Totals	\$ 2,118,550	\$ 2,118,550

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 7: Changes in General Fixed Assets

	Balance January 1, 2000	Additions	Deletions	Balance December 31, 2000
Land and buildings	\$ 16,211,407	\$ 38,907		\$ 16,250,314
Equipment	4,252,347	434,435	\$ 148,750	4,538,032
Construction In progress		7,457		7,457
Totals	\$ 20,463,754	\$ 480,799	\$ 148,750	\$ 20,795,803

NOTE 8: Compensated Absences

Compensated absences do not vest or accumulate.

NOTE 9: General Long-Term Debt

General long-term debt at December 31, 2000 is comprised of the following:

	December 31, 2000
1982 Tourism Revenue Bonds due in annual installments of \$7,000 - \$27,000 plus interest through January 1, 2002; interest at ten percent. Payments are to be made from the General Fund. (Note 18)	\$ 40,000
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 \$2,546 for sixty (60) months. Payments are to be made from the Road Fund.	61,320
Estimated liability for landfill closure and postclosure care costs.	760,901
Total Debt	\$ 862,221

NOTE 10: Changes in General Long-Term Debt

The following is a summary of transactions of the County for the year ended December 31, 2000:

General Long-Term Debt at January 1	2000 \$ 929,977
Deletions:	
Bonds retired	25,000
Lease payments	23,142
Change in estimate for closure and postclosure care costs	19,614
General Long-Term Debt at December 31	\$ 862,221

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

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 31, 2000</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 27,000	\$ 2,650	\$ 29,650
2002	13,000	650	13,650
Totals	<u>\$ 40,000</u>	<u>\$ 3,300</u>	<u>\$ 43,300</u>

The reserve in the Debt Service Fund is \$29,000 as of December 31, 2000.

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

NOTE 12: Capital Leases

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

<u>Class of Property</u>	<u>Asset Balance December 31, 2000</u>
Road equipment	<u>\$ 119,810</u>

The following is a schedule by years of future lease payments still remaining as of December 31, 2000:

<u>Years Ending December 31,</u>	
2001	\$ 30,547
2002	30,547
2003	7,637
Total Minimum Lease Payments	<u>68,731</u>
Less: Amount representing interest	<u>7,411</u>
Net Lease Payments	<u>\$ 61,320</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, 2000, the legal debt limit for the County was \$34,398,567. There were no tax secured bond issues.

NOTE 14: Federal Funds Program Compliance

A separate report was issued for the Mississippi County Senior Citizen Fund grant for the year ended June 30, 2000. No material instances of noncompliance were reported in the aforementioned report.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 15: Changes in Reserved Fund Balance - General Fund

The following changes occurred in the reserved fund balance of the general fund during the year ended December 31, 2000:

	Balance January 1, 2000	Excess of Revenues Over Expenditures	Balance December 31, 2000
Reserved fund balance -			
Landfill closure and postclosure care costs	\$ 53,000	\$ 55,704	\$ 108,704

NOTE 16: Commitments

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 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 F150 pickup on January 22, 1999. Terms of the lease are monthly rental payments of \$437 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 New Holland 8970 Tractor on July 1, 1999. Terms of the lease are yearly rental payments of \$13,153 for 3 years. At the end of the lease term, the County will return the tractor to New Holland.

The County entered into three noncancellable lease agreements for three 2000 Dodge pickups on March 27, 2000. Terms of the leases are monthly rental payments of \$245 each for 36 months. At the end of the lease terms, the County will return the trucks to George Louis Motors.

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

Year	Amount
2001	\$ 30,503
2002	9,248
2003	2,935
Total	\$ 42,686

Rental expense for 2000 was \$283,527.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 17: Unbudgeted Funds/Items

The County does not budget all special revenue funds. The County does not recognize other sources of funds and the related expenditure regarding the value of traded in and donated 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:

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance January 1, 2000	Residual Equity Transfer In (Out)	Fund Balance December 31, 2000
General Fund:						
Actual (Exhibit B)	\$ 6,285,314	\$ 5,682,021	\$ (58,752)	\$ 1,909,136		\$ 2,453,677
Plus (Minus) unbudgeted audit adjustments:						
Donated equipment		(6,000)	(6,000)			
Actual (Exhibit C)	<u>\$ 6,285,314</u>	<u>\$ 5,676,021</u>	<u>\$ (64,752)</u>	<u>\$ 1,909,136</u>	<u>\$ 0</u>	<u>\$ 2,453,677</u>
Special Revenue Funds:						
Actual (Exhibit B)	\$ 4,603,473	\$ 5,543,215	\$ 97,395	\$ 2,137,046	\$ 2,950,857	\$ 4,245,556
Minus unbudgeted funds:						
Transitional Employee Assistance Coalition	(318,694)	(243,461)				(75,233)
Plus (Minus) unbudgeted audit adjustments:						
Value of traded in equipment		(65,000)	(65,000)			
Actual (Exhibit C)	<u>\$ 4,284,779</u>	<u>\$ 5,234,754</u>	<u>\$ 32,395</u>	<u>\$ 2,137,046</u>	<u>\$ 2,950,857</u>	<u>\$ 4,170,323</u>

NOTE 18: 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, 2000, amounted to \$40,000.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 18: Tourism Revenue Bonds (Continued)

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 19: Subsequent Events

In 2001, the County entered into three (3) note payable agreements to purchase equipment. A Caterpillar track loader, Caterpillar track backhoe and a Caterpillar track tractor were obtained with the financed amounts being \$173,551, \$122,193 and \$216,186, respectively.

NOTE 20: 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. Separate financial statements of the Regional Library are not available.

NOTE 21: Risk Management

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

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

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

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 21: Risk Management (Continued)

General Liability Program – The program shall provide legal defense in civil rights suits against the county government of a participating county and pay judgments imposed on county officials and employees and the county government and county-formed boards and commissions. Coverage is limited to \$250,000 per case with an annual aggregate of \$250,000. The County agrees to pay into the program each year a charge of 60 cents per capita. Each county also agrees to pay the first \$2,000 of the aggregate cost for all expenses on each lawsuit. The County participates in the Secondary Loss Fund that provides additional coverage of \$250,000 to the annual aggregate.

The County also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding \$250,000 per occurrence. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the County Aid Fund. There is a \$1,000 deductible per occurrence.

NOTE 22: Closure and Postclosure Care Costs

State and federal laws require that Mississippi County place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at the landfill sites for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the County is required to recognize a portion of these closure and postclosure care costs each year based on the landfills capacity used as of each balance sheet date. The estimated liability for landfill closure and postclosure care costs has a balance of \$760,901 as of December 31, 2000, which is based on 63 percent use of the class one (1) and 50 percent use of the class four (4) landfills' capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$454,016 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2000. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Quorum Court intends to set aside \$50,000 for closure and postclosure care costs each year. To date, \$8,704 in interest has been added.

NOTE 23: 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 24: Construction in Progress

Construction in progress consists of construction of a County Road maintenance building. The approximate cost of construction is \$320,708 and is to be completed in 2001. The amount capitalized at December 31, 2000 is \$7,457.

NOTE 25: 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 7% of annual covered payroll. The County's contributions to PERS for the years ending December 31, 2000, 1999 and 1998 were \$264,167, \$215,671 and \$182,792, respectively, equal to the required contributions for each year.