

**Mississippi County, Arkansas**

**Financial Statements (Modified Cash Basis)  
and Other Reports**

**December 31, 2001**

LEGISLATIVE JOINT AUDITING COMMITTEE



MISSISSIPPI COUNTY, ARKANSAS  
TABLE OF CONTENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001

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

FINANCIAL STATEMENTS

	<u>Exhibit</u>
Combined Balance Sheet - Governmental and Fiduciary Fund Types and Account Group - Modified Cash Basis	A
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types - Modified Cash Basis	B
Notes to Financial Statements	

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 financial statements of Mississippi County, Arkansas, as of and for the year ended December 31, 2001, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1(C), the County prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the financial information for the Mississippi County Library System (component unit), the General Fixed Assets account group and do not disclose certain required information concerning deposits and investments which should be included in order to conform with the basis of accounting described in Note 1(C). Because of this departure identified above, the Mississippi County Library System (component unit) assets, liabilities, revenues and expenditures as of June 30, 2001 would have increased by \$468,476, \$15,935, \$774,345 and \$823,988, respectively. The effects of the omitted required financial information concerning the General Fixed Assets account group were not determined.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1(C), the assets and liabilities arising from modified cash transactions of Mississippi County, Arkansas, as of December 31, 2001, or the revenues and expenditures for the year then ended.

In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2002 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  
October 9, 2002  
LOCO04701

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 financial statements of Mississippi County, Arkansas, as of and for the year ended December 31, 2001 and have issued our report thereon dated October 9, 2002. In our report, our opinion was adverse because of the effects on the financial statements of not including all financial information of the reporting entity in the financial statements. Also, the required disclosures were not made concerning deposits 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 financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of the state constitution, laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

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

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 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 2001:

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

Our audit procedures indicated that the offices of **Sheriff** 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 **County Judge**, **Treasurer**, **Tax Collector**, and **County Clerk** and are cited below:

The County's fixed asset listing maintained by the County Judge's office was incomplete and inaccurate. This list is required for accurate financial reporting and proper safeguarding of assets.

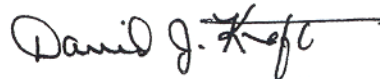
As noted in the previous two audits, restricted funds were placed in the General Fund by the **County Treasurer** instead of the special revenue accounts. The segregation of these funds allows proper interest distribution and gives the Quorum Court accurate information on the various funds for budgeting and monitoring of the use of these funds.

The **Tax Collector** again did not make monetary tax settlements with the **County Treasurer** and other entities until after year-end. As a result of this delay, the final tax settlement was not prepared until April 10, 2002, which prevented financial information and funds from being available to the County and other entities for budget planning and payment of current expenditures.

Errors were noted in the **County Clerk's** final tax settlement that resulted in an unidentified distribution of \$31,000. Also, the final tax settlement did not reflect an additional \$115,000 unidentified tax collections remitted to the **County Treasurer**, which is being held for distribution. Properly identifying tax collections is essential to ensure each entity receives the correct amount due.

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 9, 2002

MISSISSIPPI COUNTY, ARKANSAS  
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUP - MODIFIED CASH BASIS  
 DECEMBER 31, 2001

Exhibit A

	Governmental Fund Types			Fiduciary Fund Type Agency	Account Group General Long- Term Debt	Totals (Memorandum Only)
	General	Special Revenue	Debt Service			December 31, 2001
ASSETS AND OTHER DEBITS						
Cash and cash equivalents	\$ 1,658,597	\$ 2,240,606	\$ 13,650	\$ 10,134,018		\$ 14,046,871
Investments (Certificates of deposit)				12,705		12,705
Interfund receivables		71,829				71,829
Restricted assets:						
Investments (Certificates of deposit)	217,950					217,950
Amount available for landfill closure and postclosure care costs					\$ 217,950	217,950
Amount available in debt service fund					13,650	13,650
Amount to be provided for retirement of general long-term debt					1,205,910	1,205,910
	<u>1,876,547</u>	<u>2,312,435</u>	<u>13,650</u>	<u>10,146,723</u>	<u>1,437,510</u>	<u>15,786,865</u>
TOTAL ASSETS AND OTHER DEBITS						
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable		\$ 32,590				\$ 32,590
Tax settlement pending				\$ 1,539,856		1,539,856
Fee settlement pending				80,640		80,640
Bonds, fines and costs pending				16,542		16,542
Due to other agencies				8,509,685		8,509,685
Interfund payables	\$ 1,624	70,205				71,829
Lease-purchase agreements payable					\$ 35,754	35,754
Notes payable					463,939	463,939
Revenue bonds payable					13,000	13,000
Estimated liability for landfill closure and postclosure care costs					924,817	924,817
Total Liabilities	<u>1,624</u>	<u>102,795</u>		<u>10,146,723</u>	<u>1,437,510</u>	<u>11,688,652</u>

MISSISSIPPI COUNTY, ARKANSAS  
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUP - MODIFIED CASH BASIS  
 DECEMBER 31, 2001

Exhibit A

	Governmental Fund Types			Fiduciary Fund Type Agency	Account Group General Long- Term Debt	Totals (Memorandum Only)
	General	Special Revenue	Debt Service			December 31, 2001
LIABILITIES AND FUND EQUITY (Continued)						
Fund Equity:						
Fund balances:						
Reserved:						
Debt service			\$ 13,650			\$ 13,650
Landfill closure and postclosure care costs	\$ 217,950					217,950
Unreserved:						
Undesignated	1,656,973	\$ 2,209,640				3,866,613
Total Fund Equity	<u>1,874,923</u>	<u>2,209,640</u>	<u>13,650</u>			<u>4,098,213</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 1,876,547</u>	 <u>\$ 2,312,435</u>	 <u>\$ 13,650</u>	 <u>\$ 10,146,723</u>	 <u>\$ 1,437,510</u>	 <u>\$ 15,786,865</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 -  
 GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

Exhibit B

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Year Ended December 31, 2001
REVENUES				
Intergovernmental revenues - state	\$ 520,346	\$ 2,101,267		\$ 2,621,613
Intergovernmental revenues - federal		287,812		287,812
Property taxes	443,334	497,594		940,928
Sales taxes	1,613,826	1,232,800		2,846,626
Fines, forfeitures and costs	684,090			684,090
Investment income	80,127	131,118		211,245
Officers' fees	140,694	259,943		400,637
Landfill fees	1,637,263			1,637,263
E-911 fees		307,774		307,774
Jail fees	247,837			247,837
Treasurer's commission	121,696	39,234		160,930
Collector's commission	302,278			302,278
Taxes apportioned - Assessor's salary and expense	406,593			406,593
Other	145,880	41,891		187,771
	<u>6,343,964</u>	<u>4,899,433</u>		<u>11,243,397</u>
TOTAL REVENUES				
Less: Treasurer's commission	<u>84,083</u>	<u>28,772</u>		<u>112,855</u>
NET REVENUES	<u>6,259,881</u>	<u>4,870,661</u>		<u>11,130,542</u>
EXPENDITURES				
Current:				
General government	2,176,840	176,181	\$ 1,698	2,354,719
Law enforcement	1,717,504	2,793,617		4,511,121
Highways and streets		1,993,794		1,993,794
Public safety		319,074		319,074
Sanitation	1,185,079			1,185,079
Health	97,442			97,442
Social services	110,270	718,479		828,749
Total Current	<u>5,287,135</u>	<u>6,001,145</u>	<u>1,698</u>	<u>11,289,978</u>



MISSISSIPPI COUNTY, ARKANSAS  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

Exhibit B

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Year Ended December 31, 2001
EXPENDITURES (Continued)				
Capital outlay	\$ 811,220	\$ 626,593		\$ 1,437,813
Debt service:				
Bond principal			\$ 27,000	27,000
Bond interest and fiscal charges			2,652	2,652
Principal reduction on capital lease		25,565		25,565
Interest imputed on capital lease		4,981		4,981
Principal on notes payable	47,991			47,991
Interest on notes payable	6,560			6,560
TOTAL EXPENDITURES	<u>6,152,906</u>	<u>6,658,284</u>	<u>31,350</u>	<u>12,842,540</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>106,975</u>	<u>(1,787,623)</u>	<u>(31,350)</u>	<u>(1,711,998)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		12,202	16,000	28,202
Transfers out	(28,202)			(28,202)
Note proceeds	511,888			511,888
Sale of assets		78,729		78,729
Insurance proceeds	78,144	5,186		83,330
TOTAL OTHER FINANCING SOURCES (USES)	<u>561,830</u>	<u>96,117</u>	<u>16,000</u>	<u>673,947</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	668,805	(1,691,506)	(15,350)	(1,038,051)
FUND BALANCES - JANUARY 1	<u>1,206,118</u>	<u>3,901,146</u>	<u>29,000</u>	<u>5,136,264</u>
FUND BALANCES - DECEMBER 31	<u>\$ 1,874,923</u>	<u>\$ 2,209,640</u>	<u>\$ 13,650</u>	<u>\$ 4,098,213</u>

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

MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The County is a political subdivision of the state governed by an elected quorum court. The financial statements of the reporting entity include those of the County (the primary government) and its component 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. 5<sup>th</sup> 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 that are legally restricted to expenditures for specific purposes.

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 Group

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, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. All funds are accounted for using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Their revenues are recognized when collected rather than when earned. Expenditures are recognized when paid rather than when incurred except for the recording of liabilities paid with funds available at year-end. General Fixed Assets and General Long-Term Debt are included as account groups.

D. Property Taxes

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.

E. Investments

Investments are reported at cost.

F. 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.

G. 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 cash basis for the General Fund except for the Firing Range Fund and all the Special Revenue Funds except for the Transitional Employee Assistance Coalition, COPPS Grant, Sheriff's Commissary, Sheriff's Firing Range, Court Automation and County Clerk's Automation Funds. Formal budgetary policies are not employed for the Fiduciary Fund Types and the Debt Service Fund.

MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Budgetary Controls (Continued)

The following table reflects budget versus actual comparisons by fund for the year ended December 31, 2001:

Fund	Budgeted Revenues	Actual Revenues	Excess	Appropriations	Actual Expenditures	Excess
General:						
County General	\$6,726,300	\$6,342,209	\$ 384,091	\$ 6,368,480	\$ 6,152,869	\$ 215,611
Firing Range		1,755	(1,755)		37	(37)
Special Revenue:						
County Road	1,948,900	1,847,331	101,569	2,602,285	2,364,316	237,969
COPPS Grant		11	(11)			
Communication Facility and Equipment	73,700	86,684	(12,984)	78,556	76,594	1,962
Boating Safety	3,500	3,599	(99)	3,600	3,599	1
Child Support Collection Cost	26,770	16,861	9,909	34,964	17,192	17,772
County Recorder's Cost	200,000	146,128	53,872	249,692	211,050	38,642
Juvenile	50,000	11,523	38,477	17,000	16,711	289
County Jail	1,502,000	1,284,339	217,661	2,708,889	2,564,360	144,529
Sheriff Special Block Grant	120,000	46,127	73,873	121,000	120,011	989
Juvenile Detention	6,300	15,615	(9,315)	6,500	6,306	194
Sheriff's Commissary		21,930	(21,930)			
Sheriff's Firing Range		32	(32)			
Sheriff's Helicopter	70,000	690	69,310	10,000	9,635	365
Viskage Grant	22,000	22,022	(22)	22,000	22,022	(22)
Maverick Road	50,000	49,797	203	10,000	9,217	783
Emergency Medical		466	(466)	25,300	19,528	5,772
Emergency 911	420,000	319,440	100,560	381,783	379,756	2,027
Treasurer's Automation	41,000	41,830	(830)	5,000	5,000	
Senior Citizens	345,000	297,736	47,264	410,717	268,282	142,435
Transitional Employment Assistance Coalition		561,948	(561,948)		450,197	(450,197)
Court Automation		115	(115)			
Drug Task Force	1,000	6,976	(5,976)			
Economic Development Administration	114,000	114,835	(835)	675,000	114,508	560,492
County Clerk's Automation		3,398	(3,398)			

H. 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.

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  
DECEMBER 31, 2001

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, Treasurer's Commission and Firing Range.

The Special Revenue Fund heading as it appears in the financial statements includes the following funds: County Road, COPPS 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, Transition Employment Assistance Coalition, Sheriff's Commissary, Sheriff's Firing Range, Court Automation, County Clerk's Automation, Viskage Grant, Maverick Road and Juvenile Detention.

MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2001	
	Interfund Receivables	Interfund Payables
General Fund	\$ 1,624	
Special Revenue Funds:		
Emergency Medical		\$ 1,624
Drug Task Force		70,205
Sheriff Helicopter	70,205	
Totals	\$ 71,829	\$ 71,829

NOTE 7: Compensated Absences

Compensated absences do not vest or accumulate.

NOTE 8: General long-Term Debt

General long-term debt at December 31, 2001 is comprised of the following:

	December 31, 2001
1982 Tourism Revenue Bonds due in 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	\$ 13,000
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 made from the Road Fund.	35,754
Estimated liability for landfill closure and postclosure care costs.	924,817
Note payable entered on November 19, 2001, with Farmer's Bank and Trust, Blytheville, Arkansas. Annual installments of \$84,538, \$80,362, and \$76,384 starting on November 19, 2002 through November 19, 2004. Interest at 5.8 percent. Payments are made from the General Fund.	216,186
Note payable entered on June 6, 2001, with First National Bank, Blytheville, Arkansas. Thirty five monthly installments of \$3,703 and a final payment of \$3,935 starting on July 15, 2001 through June 15, 2004. Interest at 5.75 percent. Payments made out of General Fund.	97,091
Note payable entered on July 25, 2001, with First National Bank, Blytheville, Arkansas. Thirty six monthly installments of \$5,267 starting on August 24, 2001 through July 24, 2004. Interest at 5.85 percent. Payments made out of General Fund.	150,662
Total Debt	\$ 1,437,510

MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

NOTE 9: Changes in General Long-Term Debt

The following is a summary of transactions of the County for the year ended December 31, 2001:

	2001
General Long-Term Debt at January 1	\$ 862,221
Additions:	
Change in estimate for closure and postclosure care cost	163,916
Notes payable	511,929
Deletions:	
Bonds retired	27,000
Lease payments	25,565
Note payments	47,991
General Long-Term Debt at December 31	\$ 1,437,510

NOTE 10: Debt Service Requirements to Maturity

Annual requirements to amortize outstanding bonded debt are as follows:

Years Ending December 31	Principal	Interest	Total
2002	\$ 13,000	\$ 650	\$ 13,650

The reserve in the Debt Service Fund is \$13,650 as of December 31, 2001.

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

NOTE 11: 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:

Class of Property	Asset Balance December 31, 2001
Road equipment	\$ 119,810

MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

NOTE 11: Capital Leases (Continued)

The following is a schedule by years of future lease payments still remaining as of December 31, 2001:

Years Ending December 31,		
2002	\$	30,547
2003		7,636
Total Minimum Lease Payments		38,183
Less: Amount representing interest		2,429
Net Lease Payments	\$	35,754

NOTE 12: 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, 2001, the legal debt limit for the County was \$35,654,044. There were no property tax secured bond issues.

NOTE 13: 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, 2001:

	Balance January 1, 2001	Excess of Revenues Over Expenditures	Balance December 31, 2001
Reserved fund balance - landfill closure and postclosure care costs	\$ 108,704	\$ 109,246	\$ 217,950

NOTE 14: 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 2001 Mercury Grand Marquis on January 17, 2001. Terms of the lease are monthly rental payments of \$699 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 2001 Mercury Grand Marquis on January 17, 2001. Terms of the lease are monthly rental payments of \$699 for 24 months. At the end of the lease term, the County will return the car to Blytheville Ford.

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



MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

NOTE 14: Commitments (Continued)

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

<u>Year</u>	<u>Amount</u>
2002	\$ 26,015
2003	<u>2,935</u>
Total	<u>\$ 28,950</u>

Rental expense for 2001 was \$159,982.

NOTE 15: Tourism Revenue Bonds

On June 1, 1982, Mississippi County issued ten percent (10%) tourism 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 in 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, 2001, amounted to \$13,000.

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: Subsequent Events

On July 17, 2002, the County entered into a note payable agreement to purchase equipment. A Caterpillar compactor was obtained with the finance amount being \$230,000 maturing July 17, 2005.

MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

NOTE 17: 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 18: Risk Management

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

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

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

General Liability Program - The program shall provide legal defense in civil rights suits against the county government of a participating county and pay judgments imposed on county officials and employees and the county government and county-formed boards and commissions. Coverage is limited to \$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 the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the County Aid Fund. There is a \$1,000 deductible per occurrence.

MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

NOTE 19: Closures 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 \$924,817 as of December 31, 2001, which is based on 73 percent use of the class one (1) and 55 percent use of the class four (4) landfills capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$365,400 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2001. 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, \$17,950 in interest has been added to the \$200,000 that has been set aside by the County for a total reserved fund balance of \$217,950.

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 case of damage from a disaster, the County would reflect a loss for those items.

NOTE 21: 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 8% of annual covered payroll. The County's contributions to PERS for the years ending December 31, 2001, 2000 and 1999 were \$317,354, \$264,167 and \$215,671, respectively, equal to the required contributions for each year.