

Mississippi County, Arkansas
Regulatory Basis Financial Statements
and Other Reports

December 31, 2006

LEGISLATIVE JOINT AUDITING COMMITTEE



MISSISSIPPI COUNTY, ARKANSAS
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Sen. Randy Laverty
Senate Co-Chair
Rep. J R Rogers
House Co-Chair
Sen. Bobby L. Glover
Senate Co-Vice Chair
Rep. Johnny Hoyt
House Co-Vice Chair

Arkansas



Roger A. Norman, JD, 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 regulatory basis financial statements of the general fund, road fund, and other funds in the aggregate of Mississippi County, Arkansas, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these 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 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 opinions.

As described more fully in Note 1(B and C), the County has prepared these financial statements using accounting practices prescribed or permitted by Arkansas Code, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the 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, 2006, or the changes in its financial position or where applicable, its cash flows, thereof for the year then ended. Further, the County has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Mississippi County Library and Arkansas Department of Economic Development Grant Funds have not been included in the County's regulatory basis financial statements. The regulatory basis as prescribed or permitted by Arkansas Code, requires the Mississippi County Library and Arkansas Department of Economic Development Grant Funds to be presented as part of the other funds in the aggregate, thus increasing the column's assets, liabilities, receipts, and disbursements. The amount by which this departure would affect the assets, liabilities, receipts, and disbursements of the other funds in the aggregate column is not reasonably determinable. The County's regulatory basis financial statements also do not disclose all the required information concerning deposit risks, which should be included in order to conform with the regulatory basis of accounting described in Note 1(C).

In our opinion, because of the effects on the financial statements of the omissions described in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective regulatory basis financial position of the other funds in the aggregate of Mississippi County, Arkansas, as of December 31, 2006, and the respective changes in the regulatory basis financial position for the year then ended on the basis of accounting as described in Note 1(C).

In our opinion, except for the effects of not disclosing all required information concerning deposit risks, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of the general fund and road fund of Mississippi County, Arkansas, as of December 31, 2006, and the respective changes in the regulatory basis financial position, and the budgetary results for the general fund and road fund for the year then ended on the basis of accounting as described in Note 1(C).

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2008 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements of Mississippi County, Arkansas. The supplementary information in the Schedule of Capital Assets listed in the table of contents as Schedule 1 is required by the regulatory basis of presentation and is presented for the purpose of additional analysis. We have not applied auditing procedures to this information and, accordingly, we express no opinion on the Schedule of Capital Assets.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Roger A. Norman".

Roger A. Norman, JD, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
May 9, 2008
LOCO04706

Sen. Randy Laverty
Senate Co-Chair
Rep. J R Rogers
House Co-Chair
Sen. Bobby L. Glover
Senate Co-Vice Chair
Rep. Johnny Hoyt
House Co-Vice Chair

Arkansas



Roger A. Norman, JD, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING, COMPLIANCE AND OTHER MATTERS, AND OTHER ISSUES BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the accompanying regulatory basis financial statements of the general fund, road fund, and other funds in the aggregate of Mississippi County, Arkansas, as of and for the year ended December 31, 2006, and have issued our report thereon dated May 9, 2008. We issued an adverse opinion because the County prepared the financial statements using accounting principles prescribed or permitted by Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the basis of accounting described in Note 1(B and C), our opinions on the general fund and road fund were qualified because required disclosures were not made concerning deposit risks. Our opinion on other funds in the aggregate was adverse for not including the Mississippi County Library and Arkansas Department of Economic Development Grant Funds, which are material to other funds in the aggregate. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Mississippi County, Arkansas, as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting as prescribed or permitted by Arkansas Code such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

2006-1 To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions should be distributed among appropriate employees. The County officials, as specified in the Other Issues section of this report, did not segregate these duties to sufficiently reduce the risks of fraud or error and properly safeguard the County's assets, because of limited financial resources. We recommend that the financial accounting duties in each office be segregated among employees to the extent possible.

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

2006-2 Arkansas Code requires a Treasurer's "Summary of Account Balances" and a "Recap of Revenues" by operating fund to be prepared. These reports summarize the account balances that are used in the preparation of the financial statements. The Other Funds in the Aggregate financial records contained misstatements for cash in the amount of \$625,975 and receipts in the amount of \$69,495 primarily due to not recording interest income in the operating funds and the proceeds from a school district bond issue in the agency funds in the proper year. We recommend the Treasurer implement procedures to ensure these reports are properly posted.

The Treasurer has approved the appropriate adjustments and will implement the recommendation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006-1 and 2006-2 to be material weaknesses.

The County's response to the findings identified in our audit is described above. We did not audit the County's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of the state constitution, laws, regulations, contracts and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the Internal Control over Financial Reporting section as item 2006-2 and as follows:

OMB Circular A-133 requires County management to obtain a federal compliance audit when federal expenditures exceed \$500,000. The County had in excess of \$500,000 of federal expenditures in 2006 and did not obtain a federal compliance audit as required. The County could be responsible for repayment of federal expenditures if instances of noncompliance are noted during a federal compliance audit.

The County Judge has responded that a federal compliance audit will be obtained.

Other Issues

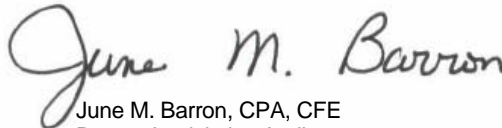
The commentary contained in this section relates to the following officials that held office during 2006:

County Judge: Steve McGuire
Treasurer: Glenda Williams
Sheriff: Leroy Meadows
Tax Collector: Patricia Caldwell
County Clerk: Lib Shippen
Circuit Clerk: Donna Bray

Our audit procedures indicated that the Offices of **Sheriff, Tax Collector, County Clerk** and **Circuit Clerk** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices were noted in the Offices of **County Judge** and **Treasurer**.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local County government, state executive and oversight management, the federal awarding agencies and pass-through entities, if applicable, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Arkansas Code Annotated §10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT



June M. Barron, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
May 9, 2008

MISSISSIPPI COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2006

Exhibit A

	General	Road	Other Funds In The Aggregate
ASSETS			
Cash and cash equivalents	\$ 4,459,854	\$ 1,534,373	\$ 12,737,139
LIABILITIES AND FUND BALANCES			
Liabilities:			
Settlements pending			\$ 6,961,911
Fund Balances:			
Reserved		\$ 1,534,373	5,775,228
Unreserved:			
Designated	\$ 2,600,976		
Undesignated	1,858,878		
Total Fund Balances	4,459,854	1,534,373	5,775,228
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,459,854	\$ 1,534,373	\$ 12,737,139

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

MISSISSIPPI COUNTY, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Exhibit B

	<u>General</u>	<u>Road</u>	<u>Other Funds In The Aggregate</u>
RECEIPTS			
State aid	\$ 562,606	\$ 1,347,210	\$ 316,762
Federal aid			528,038
Property taxes	841,919	660,572	165,615
Sales taxes	1,876,516		4,281,707
Fines, forfeitures and costs	942,651		96,203
Interest	174,673	50,974	260,266
Officers' fees	204,727		277,467
Landfill fees	2,635,669		
Jail fees			360,287
Emergency 911 fees			309,334
Treasurer's commission	135,044		34,218
Collector's commission	248,448		57,003
Taxes apportioned - Assessor's salary and expense	462,007		
Other	267,087	11,300	130,164
	<u>8,351,347</u>	<u>2,070,056</u>	<u>6,817,064</u>
TOTAL RECEIPTS			
Less: Treasurer's commission	<u>133,712</u>	<u>8,334</u>	<u></u>
NET RECEIPTS	<u>8,217,635</u>	<u>2,061,722</u>	<u>6,817,064</u>
DISBURSEMENTS			
Current:			
General government	2,332,841		4,212,082
Law enforcement	2,197,476		2,739,834
Highways and streets		1,918,324	
Public safety	29,339		417,793
Sanitation	1,893,091		
Health	79,479		
Recreation and culture			2,708
Social services	80,693		563,854
Total Current	<u>6,612,919</u>	<u>1,918,324</u>	<u>7,936,271</u>

MISSISSIPPI COUNTY, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Exhibit B

	General	Road	Other Funds In The Aggregate
DISBURSEMENTS (Continued)			
Debt Service:			
Note payable - principal	\$ 143,670	\$ 86,621	
Note payable - interest	17,197	8,958	
TOTAL DISBURSEMENTS	6,773,786	2,013,903	\$ 7,936,271
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	1,443,849	47,819	(1,119,207)
OTHER FINANCING SOURCES (USES)			
Transfers in	15,800		744,864
Transfers out	(744,864)		(15,800)
Note proceeds	510,200		
TOTAL OTHER FINANCING SOURCES (USES)	(218,864)		729,064
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	1,224,985	47,819	(390,143)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	5,155,359	1,486,554	4,062,476
Restatement adjustment	(1,920,490)		2,102,895
FUND BALANCES - JANUARY 1, AS RESTATED	3,234,869	1,486,554	6,165,371
FUND BALANCES - DECEMBER 31	\$ 4,459,854	\$ 1,534,373	\$ 5,775,228

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

MISSISSIPPI COUNTY, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND ROAD FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
State aid	\$ 389,025	\$ 562,606	\$ 173,581	\$ 1,347,210	\$ 1,347,210	
Property taxes	929,870	841,919	(87,951)	662,231	660,572	\$ (1,659)
Sales taxes	1,876,516	1,876,516				
Fines, forfeitures and costs	866,010	942,651	76,641			
Interest	24,678	174,673	149,995	23,935	50,974	27,039
Officers' fees	245,080	204,727	(40,353)			
Landfill fees	2,616,143	2,635,669	19,526			
Treasurer's commission	175,052	135,044	(40,008)			
Collector's commission	266,494	248,448	(18,046)			
Taxes apportioned - Assessor's salary and expense	462,471	462,007	(464)			
Other	297,107	267,087	(30,020)	11,301	11,300	(1)
TOTAL RECEIPTS	8,148,446	8,351,347	202,901	2,044,677	2,070,056	25,379
Less: Treasurer's commission	172,072	133,712	38,360	(8,334)	8,334	(16,668)
NET RECEIPTS	7,976,374	8,217,635	241,261	2,053,011	2,061,722	8,711
DISBURSEMENTS						
Current:						
General government	2,298,695	2,332,841	(34,146)			
Law enforcement	2,213,293	2,197,476	15,817			
Highways and streets				1,909,731	1,918,324	(8,593)
Public safety	29,658	29,339	319			
Sanitation	2,003,226	1,893,091	110,135			
Health	81,762	79,479	2,283			
Social services	80,924	80,693	231			
Total Current	6,707,558	6,612,919	94,639	1,909,731	1,918,324	(8,593)

MISSISSIPPI COUNTY, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND ROAD FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
DISBURSEMENTS (Continued)						
Debt Service:						
Note payable-principal		\$ 143,670	\$ (143,670)	\$ 102,939	\$ 86,621	\$ 16,318
Note payable-interest		17,197	(17,197)		8,958	(8,958)
TOTAL DISBURSEMENTS	<u>\$ 6,707,558</u>	<u>6,773,786</u>	<u>(66,228)</u>	<u>2,012,670</u>	<u>2,013,903</u>	<u>(1,233)</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>1,268,816</u>	<u>1,443,849</u>	<u>175,033</u>	<u>40,341</u>	<u>47,819</u>	<u>7,478</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	57,772	15,800	(41,972)			
Transfers out	(750,104)	(744,864)	5,240			
Note proceeds	576,979	510,200	(66,779)			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(115,353)</u>	<u>(218,864)</u>	<u>(103,511)</u>			
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	<u>1,153,463</u>	<u>1,224,985</u>	<u>71,522</u>	<u>40,341</u>	<u>47,819</u>	<u>7,478</u>
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	538,390	5,155,359	4,616,969	871,036	1,486,554	615,518
Restatement adjustment		<u>(1,920,490)</u>	<u>(1,920,490)</u>			
FUND BALANCES - JANUARY 1, AS RESTATED	<u>538,390</u>	<u>3,234,869</u>	<u>2,696,479</u>	<u>871,036</u>	<u>1,486,554</u>	<u>615,518</u>
FUND BALANCES - DECEMBER 31	<u>\$ 1,691,853</u>	<u>\$ 4,459,854</u>	<u>\$ 2,768,001</u>	<u>\$ 911,377</u>	<u>\$ 1,534,373</u>	<u>\$ 622,996</u>

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

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1: Summary of Significant Accounting Policies

As discussed further in Note 1(B and C), these financial statements are presented in accordance with the regulatory basis of presentation and accounting as prescribed by Arkansas Code. This regulatory basis of presentation and accounting differs from accounting principles generally accepted in the United States of America.

A. Financial Reporting Entity

The County is a political subdivision of the state governed by an elected quorum court. The reporting entity includes all the funds of the County. The following funds of the County are not presented in this report: Mississippi County Library and Arkansas Department of Economic Development Grant.

B. Basis of Presentation - Regulatory 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 related liabilities and residual 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. Arkansas Code requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and road fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of: a balance sheet; a statement of revenues (receipts), expenditures (disbursements), and changes in fund equity (balances); a comparison of the final adopted budget to the actual expenditures for the general fund and road fund; notes to the financial statements; and a supplemental schedule of capital assets.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

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. The General Fund heading as it appears in the financial statements includes the following funds: General and Landfill.

Road Fund - The Road Fund is used to account for the proceeds of specific receipt sources that are legally restricted to disbursements for maintaining and constructing County roads.

Other Funds in the Aggregate - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Road Funds. The following types of funds are included in this column as follows:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific receipt sources that are legally restricted to disbursements for specific purposes. The following special revenue funds are reported with other funds in the aggregate: County Recorder's Cost, County Jail Sales Tax, Boating Safety (Act 122), Economic Development, Detention Center (Act 1188), Sheriff's Communications Facility and Equipment, Child Support Collection Costs, Juvenile Fees, Sheriff's Block Grant, Sheriff's Commissary, Sheriff's Firing Range, Sheriff's Helicopter, Historical Preservation Grant, Senior Citizens, Emergency 911, Drug Task Force, Local Emergency Response Grant, County Clerk's Marriage License, Court Automation, Collector's Automation, County Clerk's Automation, Juvenile Detention, Pandemic Grant, West Nile Virus, Treasurer's Automation, Road Centerline Program Grant, Homeland Security Grants, Game Protection, Assessor's Amendment No. 79, Fair Board Grant, Substance Abuse Education (Act 841), County Hospital and Community Emergency Response Team Grant.

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. The following agency funds are reported with other funds in the aggregate: County Treasurer - Schools, ISA Interest, Common School, County Library, Arkansas Northeastern College, Cities, Blytheville Law Library, Osceola Law Library, Game and Fish, Arkansas Highway Department, Administration of Justice, Judicial Enhancement, Timber Tax, Cash Bond, State Land Sales, Tax Collector, Collector's Interest, Property Tax Relief, Mississippi County Right-of-Way and State Treasurer; Tax Collector - Current Tax, Delinquent Real Estate Tax, Delinquent Personal Tax and Delinquent Improvements Tax; Sheriff - Bond and Fee and Commissary; County Clerk - Fee, Trust and Payroll Tax; Circuit Clerk - Fee and Trust; Juvenile Probation Department, Senior Citizens and Mississippi County Employee Insurance.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The financial statements are presented using a regulatory basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for settlements pending. This regulatory basis differs from accounting principles generally accepted in the United States of America.

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable, interfund receivables, and capital assets) and their related receipts and certain liabilities (such as accounts payable, interfund payables, and long-term debt) and their related disbursements are not recorded in these financial statements.

D. Assets, Liabilities and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit.

Liabilities

For the purpose of financial reporting, liabilities include settlements pending. Settlements pending are considered fines, forfeitures, costs, interest, fees and tax settlements that have not been transferred to the appropriate entities.

Fund Balance

1. Reserved Fund Balance indicates that portion of fund balance, which has been legally segregated for specific purposes.
2. Designated Fund Balance indicates that portion of fund balance for which the entity has made tentative plans.
3. Undesignated Fund Balance indicates that portion of fund balance which is available for budgeting in future periods.

E. Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 10.

F. Budget Law

1. Legal Requirements

State law requires that the Quorum Court, before the end of each fiscal year, make appropriations, by ordinance, for the disbursements of County government 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 regulatory basis for the General Fund, Road Fund and the other Special Revenue Funds.

NOTE 2: Cash

Deposit risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk have not been provided as required by Governmental Accounting Standards Board Statement No. 40.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 3: 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 4: Legal Debt Limit

A. Bonded Debt

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, 2006, the legal debt limit for bonded debt was \$40,251,964. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The County is subject to a constitutional limitation for short-term financing obligations equal to two and one half percent (2.5%) of the assessed value of taxable property within the County as determined by the last tax assessment. At December 31, 2006, the legal debt limit for short-term financing obligations was \$10,937,405. The amount of short-term financing obligations was \$1,076,801 leaving a legal debt margin of \$9,860,604.

NOTE 5: Federal Funds Program Compliance

The Senior Citizens, Sheriff's Local Law Enforcement Block Grant, Homeland Security and Pandemic grants of the County were not audited in accordance with federal program requirements and therefore, any instances of noncompliance with federal grant requirements have not been determined. Disbursements that are not in accordance with the federal program requirements are subject to reimbursement by the County.

NOTE 6: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2006
<u>Road</u>	\$ 1,534,373
 <u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
County Recorder's Cost	\$ 57,403
County Jail Sales Tax	13,639
Boating Safety (Act 122)	1,144
Economic Development	2,428,079
Detention Center (Act 1188)	60,204
Sheriff's Communications Facility and Equipment	54,312
Child Support Collection Costs	167
Juvenile Fees	7,559
Sheriff's Block Grant	10,446
Sheriff's Commissary	29,752
Sheriff's Firing Range	38,033
Sheriff's Helicopter	37,710
Historical Preservation Grant	7,000
Senior Citizens	144,403

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 6: Reserved Fund Balance (Continued)

	December 31, 2006
<u>Other Funds in the Aggregate (Continued)</u>	
Special Revenue Funds: (Continued)	
Emergency 911	\$ 155,778
Drug Task Force	35,041
Local Emergency Response Grant	1,728
County Clerk's Marriage License	2,536
Court Automation	35,659
Collector's Automation	1,999
County Clerk's Automation	12,816
Juvenile Detention	25,199
Pandemic Grant	2,925
West Nile Virus	3,181
Treasurer's Automation	66,027
Road Centerline Program Grant	22,361
Homeland Security Grants	137,925
Game Protection	10,534
Assessor's Amendment No. 79	1,634
Fair Board Grant	4
County Hospital	2,370,022
Substance Abuse Education (Act 841)	8
	\$ 5,775,228
Total Other Funds in the Aggregate	

NOTE 7: Designated Fund Balance

The General Fund designated fund balance for December 31, 2006 consisted of the following:

	December 31, 2006
Hospital maintenance and operations	\$ 2,120,004
Landfill closure and postclosure care costs	480,972
	\$ 2,600,976
Total General Fund	

NOTE 8: Commitments

Total commitments consist of the following at December 31, 2006:

	December 31, 2006
Long-Term Debt	\$ 2,434,432

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 8: Commitments (Continued)

Long-Term Debt

Long-Term Debt at December 31, 2006 is comprised of the following:

	December 31, 2006
	2006
Compensated absences	\$ 2,346
Estimated liability for landfill closure and postclosure care costs	1,355,285
Note payable entered on November 29, 2004 with First National Bank of Blytheville for the purchase of a 963 Caterpillar loader; interest at 4.25%, monthly installments of \$1,484 for 36 months. Payments are to be made from the General Fund.	17,398
Note payable entered on January 28, 2005 with First National Bank of Blytheville for the purchase of an 826C Caterpillar compactor; interest at 4.25%, monthly installments of \$4,148 for 36 months. Payments are to be made from the General Fund.	52,600
Note payable entered on July 1, 2005 with First National Bank of Blytheville for the purchase of a 2002 New Holland tractor; interest at 4.25%, monthly installments of \$1,493 for 36 months. Payments are to be made from the General Fund.	27,369
Note payable entered on March 27, 2006 with First National Bank of Blytheville for the purchase of an 850K Case dozer; interest at 4.50%, monthly installments of \$2,843 for 60 months. Payments are to be made from the General Fund.	72,831
Note payable entered on June 5, 2006 with First National Bank of Blytheville for the purchase of a Trashmaster compactor; interest at 4.09%, monthly installments of \$7,656 for 60 months. Payments are to be made from the General Fund.	376,941
Note payable entered on April 27, 2005 with Ford Motor Credit Corporation for the purchase of a 2005 F150 truck; interest at 7.74%, monthly installments of \$699 for 36 months. Payments are to be made from the Road Fund.	10,590
Note payable entered on April 27, 2005 with Ford Motor Credit Corporation for the purchase of a 2005 F150 truck; interest at 7.74%, monthly installments of \$494 for 36 months. Payments are to be made from the Road Fund.	7,485
Note payable entered on July 1, 2005 with First National Bank of Blytheville for the purchase of two Caterpillar road graders; interest at 4.25%, monthly installments of \$6,772 for 36 months. Payments are to be made from the Road Fund.	124,207
Lease-purchase agreement entered on March 13, 2006 with First Continental Leasing for the purchase of two 2007 Mack Trucks; interest at 3.50%, three annual installments of \$69,209. Payments are to be made from the Road Fund.	193,690
Lease-purchase agreement entered on May 4, 2006 with First Continental Leasing for the purchase of two 2007 Mack Trucks; interest at 3.50%, three annual installments of \$69,209. Payments are to be made from the Road Fund.	193,690
	193,690
Total Long-Term Debt	\$ 2,434,432

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

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 8: Commitments (Continued)

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 \$1,355,285 as of December 31, 2006, which is based on 39% use of the class one landfill and 110% use of the class four landfill's capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,550,815 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. 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, and a letter of credit from First National Bank in the amount not to exceed \$175,300 has been issued. To date, \$80,972 in interest has been added to the \$400,000 that has been set aside by the County for a total designated fund balance of \$480,972 in General Fund.

Debt Service Requirements to Maturity

The County is obligated for the following amounts:

<u>Years Ending December 31,</u>	<u>Notes</u>	<u>Leases</u>	<u>Total</u>
2007	\$ 307,065	\$ 138,419	\$ 445,484
2008	192,761	138,419	331,180
2009	100,396	138,419	238,815
2010	91,867		91,867
2011	45,933		45,933
Total Obligations	<u>738,022</u>	<u>415,257</u>	<u>1,153,279</u>
Less Interest	<u>48,601</u>	<u>27,877</u>	<u>76,478</u>
Total Principal	<u>\$ 689,421</u>	<u>\$ 387,380</u>	<u>\$ 1,076,801</u>

NOTE 9: Prior Year Restatement

The County Hospital Fund Certificate of Deposit, previously reported as part of the County General Fund, along with the County Hospital Fund cash account, previously reported as an Agency Fund, is being reported as a Special Revenue Fund in 2006 and is included in the Other Funds in the Aggregate column of the financial statements. This change resulted in a decrease of \$1,920,490 in the beginning balance of the 2006 General Fund, and an increase of \$2,102,895 in the beginning balance of the 2006 Special Revenue Funds, which are reported in the Other Funds in the Aggregate column of the financial statements.

NOTE 10: Joint Venture: 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 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 administrative county boards (ten 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.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 11: 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.

Vehicle Program

A. Liability - This program may pay all sums the County legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered county vehicle and for which the County is liable. The limit of payment by the program is \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident and \$25,000 for property damage per accident. The County shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered county vehicles owned or leased by the County.

B. Physical Damage - This program covers vehicles (excluding mobile equipment) which are the property of the participating county. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$500 per occurrence. The County agrees to pay into the program each year a service charge established annually by the Risk Management Fund Board for covered property.

General Liability Program - The program shall provide legal defense in civil rights suits against the county government of a participating county and pay judgments imposed on County officials and employees and the county government and county-formed boards and commissions. Coverage is limited to \$350,000 per case with an annual aggregate of \$500,000. The County agrees to pay into the program each year a charge of 85 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 also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the County Aid Fund. There is a \$1,000 deductible per occurrence.

NOTE 12: 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 5% 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.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 13: Arkansas District Judge Retirement System

System Establishment

The Arkansas General Assembly established the Arkansas District Judge Retirement System (System) beginning January 1, 2005. The executive director and the administrative staff of the Arkansas Public Employees Retirement System (PERS) are the executive director and administrative staff of the System.

A local government that had an established municipal judge and clerk retirement fund was required by state law to contribute on January 1, 2005, an amount of money to the System that represented the actuarially determined accrued liability for those judges, former judges, clerks, and former clerks who were covered by the municipal judge and clerk retirement fund on December 31, 2004. If the local municipal judge and clerk retirement fund did not have sufficient money available to pay the accrued liability on January 1, 2005, then the remaining amount of the accrued liability shall be paid on or before December 31 each year after for up to the next thirty (30) years based on a thirty-year amortization period. The benefits earned and the eligibility requirements transferred from local municipal judge and clerk retirement funds to the System.

All municipal court clerks and district court clerks who were members of a local municipal judge and clerk's retirement fund on December 31, 2004, are covered by the System for their service until that date, and became members of PERS on January 1, 2005. A local government employing a district court clerk on December 31, 2004, that was not a participating employer under PERS was required by state law to become a participating employer under PERS on January 1, 2005. All district judges and former district or municipal court judges not covered by PERS on December 31, 2004, are required to be covered by the System. Those covered by PERS on December 31, 2004, will continue to be covered by PERS on January 1, 2005.

Plan Description

The County contributes to the System, a cost-sharing multiple-employer defined benefit pension plan that covers all district judges elected or appointed to office unless covered by PERS and district court clerks. The System 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 District Judge Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Arkansas Public Employees Retirement System, One National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy

The System is a contributory plan. Members are required by Arkansas Code to contribute 5% 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.

MISSISSIPPI COUNTY, ARKANSAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)

Schedule 1

	<u>December 31, 2006</u>
Land	\$ 2,564,552
Buildings	17,103,159
Equipment	<u>6,770,971</u>
Total	<u>\$26,438,682</u>