

Mississippi County, Arkansas

**Regulatory Basis Financial Statements,
Supplemental Information and Other Reports**

December 31, 2005

LEGISLATIVE JOINT AUDITING COMMITTEE



MISSISSIPPI COUNTY, ARKANSAS
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Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverty
Senate Co-Vice Chair
Rep. Sandra Prater
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 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, 2005, 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(C), the County has prepared these financial statements using accounting practices 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.

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, 2005, or the changes in financial position or cash flows, where applicable, 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 Fund has 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 System 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 column is not reasonably determinable. The County's regulatory basis financial statements also do not disclose all the required information concerning deposits, which should be included in order to conform with the regulatory basis of accounting described in Note 1(C).

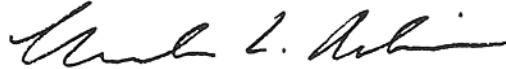
In our opinion, because of the effects on the financial statements of the omissions described in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective regulatory basis financial position of the other funds in the aggregate of Mississippi County, Arkansas, as of December 31, 2005, and the respective changes in the regulatory basis financial position for the year then ended on the regulatory basis of accounting as described in Note 1(C).

In addition, in our opinion, except for the effects of not disclosing all required information concerning deposits, 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, 2005, 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 regulatory basis of accounting as described in Note 1(C).

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2006 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 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 black ink, appearing to read "Charles L. Robinson". The signature is fluid and cursive, with a prominent initial "C" and "R".

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
October 16, 2006
LOCO04705

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverty
Senate Co-Vice Chair
Rep. Sandra Prater
House Co-Vice Chair

Arkansas



Charles L. Robinson, 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

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, 2005 and have issued our report thereon dated October 16, 2006. In our report, our opinions on the general fund and road fund were qualified because required disclosures were not made concerning deposits. Our opinion on other funds in the aggregate was adverse for not including the Mississippi County Library System, which is material to other funds in the aggregate, and the required disclosures were not made concerning deposits. 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, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable 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 caused by error or fraud 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 below relating to inadequate segregation of duties to be a material weakness.

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.

Compliance and Other Matters

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 or other matters that are required to be reported under *Government Auditing Standards*.

Other Issues

The following issues are not reportable conditions or material instances of noncompliance, but are issues that are presented to assist in the efficient operation of the County.

The commentary contained in this section relates to the following officials that held office during 2005:

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

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

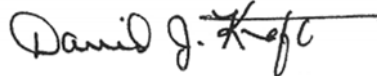
We performed audit procedures on the information system controls in the Office of **Assessor** and **Tax Collector** for the period October 18, 2004 through December 14, 2004. The following information systems control weaknesses were noted:

Assessor and Collector

1. Access security controls were not adequate. These conditions could lead to misuse or theft of county funds in addition to inadequate segregation of duties pertaining to electronic data management.
2. There is no formal documented and approved disaster recovery plan. This situation could cause the County to be without computer processing for an extended period of time in the event of a disaster or major interruption and could also place a financial and personnel burden on the resources of the County.

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



David J. Kraft, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
October 16, 2006

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - REGULATORY BASIS
 DECEMBER 31, 2005

Exhibit A

	General	Road	Other Funds In The Aggregate
ASSETS			
Cash and cash equivalents	\$ 5,155,359	\$ 1,486,554	\$ 16,083,618
LIABILITIES AND FUND BALANCES			
Liabilities:			
Settlements pending			\$ 12,021,142
Fund Balances:			
Reserved		\$ 1,486,554	4,062,476
Unreserved:			
Landfill closure and postclosure care costs	\$ 414,555		
Undesignated	4,740,804		
Total Fund Balances	5,155,359	1,486,554	4,062,476
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,155,359	\$ 1,486,554	\$ 16,083,618

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

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit B

	General	Road	Other Funds In The Aggregate
RECEIPTS			
State aid	\$ 673,945	\$ 1,382,856	\$ 186,880
Federal aid			666,613
Property taxes	632,310	542,587	
Sales taxes	1,705,381		3,891,223
Fines, forfeitures and costs	695,632		70,904
Interest	110,964	33,135	78,178
Officers' fees	191,740		277,326
Landfill fees	2,378,835		
Jail fees			378,016
Emergency 911 fees			266,577
Hospital lease payments	1,900,000		
Treasurer's commission	137,772		30,763
Collector's commission	377,534		49,897
Taxes apportioned - Assessor's salary and expense	437,368		
Other	347,803	44,807	82,717
	9,589,284	2,003,385	5,979,094
TOTAL RECEIPTS			
Less: Treasurer's commission	81,907	24,151	
	9,507,377	1,979,234	5,979,094
NET RECEIPTS			
DISBURSEMENTS			
Current:			
General government	2,366,691		2,517,785
Law enforcement	2,165,013		2,712,977
Highways and streets		2,063,484	
Public safety	12,674		764,787
Sanitation	1,314,322		
Health	77,572		
Social services	79,863		419,441
Total Current	6,016,135	2,063,484	6,414,990
Debt service:			
Note payable - principal	120,476	83,592	
Note payable - interest	8,405	8,900	
	6,145,016	2,155,976	6,414,990
TOTAL DISBURSEMENTS			
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	3,362,361	(176,742)	(435,896)
OTHER FINANCING SOURCES (USES)			
Transfers in	27,300	18,302	1,021,491
Transfers out	(982,320)		(84,773)
Note proceeds	50,228	228,072	
	(904,792)	246,374	936,718
TOTAL OTHER FINANCING SOURCES (USES)			

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit B

	General	Road	Other Funds In The Aggregate
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	\$ 2,457,569	\$ 69,632	\$ 500,822
FUND BALANCES - JANUARY 1	2,697,790	1,416,922	3,561,654
FUND BALANCES - DECEMBER 31	\$ 5,155,359	\$ 1,486,554	\$ 4,062,476

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, 2005

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
State aid	\$ 495,767	\$ 673,945	\$ 178,178	\$ 1,382,856	\$ 1,382,856	
Property taxes	895,650	632,310	(263,340)	542,587	542,587	
Sales taxes	1,705,381	1,705,381				
Fines, forfeitures and costs	620,583	695,632	75,049			
Interest	60,329	110,964	50,635	23,695	33,135	\$ 9,440
Officers' fees	206,674	191,740	(14,934)			
Landfill fees	2,357,068	2,378,835	21,767			
Hospital lease payments		1,900,000	1,900,000			
Treasurer's commission	206,415	137,772	(68,643)			
Collector's commission	377,534	377,534				
Taxes apportioned - Assessor's salary and expense	437,368	437,368				
Other	324,029	347,803	23,774	44,807	44,807	
TOTAL RECEIPTS	7,686,798	9,589,284	1,902,486	1,993,945	2,003,385	9,440
Less: Treasurer's commission	149,508	81,907	67,601	24,151	24,151	
NET RECEIPTS	7,537,290	9,507,377	1,970,087	1,969,794	1,979,234	9,440
DISBURSEMENTS						
Current:						
General government	2,421,384	2,366,691	54,693			
Law enforcement	2,174,354	2,165,013	9,341			
Highways and streets				2,175,160	2,063,484	111,676
Public safety	12,728	12,674	54			
Sanitation	1,496,107	1,314,322	181,785			
Health	80,845	77,572	3,273			
Social services	80,759	79,863	896			
Total Current	6,266,177	6,016,135	250,042	2,175,160	2,063,484	111,676

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, 2005

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
DISBURSEMENTS (CONTINUED)						
Debt service:						
Note payable - principal		\$ 120,476	\$ (120,476)		\$ 83,592	\$ (83,592)
Note payable - interest		8,405	(8,405)		8,900	(8,900)
TOTAL DISBURSEMENTS	<u>\$ 6,266,177</u>	<u>6,145,016</u>	<u>121,161</u>	<u>\$ 2,175,160</u>	<u>2,155,976</u>	<u>19,184</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>1,271,113</u>	<u>3,362,361</u>	<u>2,091,248</u>	<u>(205,366)</u>	<u>(176,742)</u>	<u>28,624</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	166,257	27,300	(138,957)	18,949	18,302	(647)
Transfers out	(850,479)	(982,320)	(131,841)			
Note proceeds	<u>50,228</u>	<u>50,228</u>		<u>228,072</u>	<u>228,072</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(633,994)</u>	<u>(904,792)</u>	<u>(270,798)</u>	<u>247,021</u>	<u>246,374</u>	<u>(647)</u>
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	637,119	2,457,569	1,820,450	41,655	69,632	27,977
FUND BALANCES - JANUARY 1	<u>2,697,790</u>	<u>2,697,790</u>		<u>1,416,922</u>	<u>1,416,922</u>	
FUND BALANCES - DECEMBER 31	<u>\$ 3,334,909</u>	<u>\$ 5,155,359</u>	<u>\$ 1,820,450</u>	<u>\$ 1,458,577</u>	<u>\$ 1,486,554</u>	<u>\$ 27,977</u>

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

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1: Summary of Significant Accounting Policies

As discussed further in Note 1(B), these financial statements are presented in accordance with the regulatory basis of presentation as prescribed by Arkansas state law. 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 System.

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, Emergency Medical, 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, Emergency Response Plan Grant, West Nile Virus, Treasurer's Automation, Juvenile Accountability Incentive Block Grant, Homeland Security Grant, Game Protection, Disaster Mitigation Grant, Fair Board Grant and Substance Abuse Education.

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, Hospital, 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, State Treasurer and Mississippi County Employee Insurance; Tax Collector - Current Tax, Delinquent Improvement Tax, Delinquent Personal Tax and Delinquent Real Estate Tax; Sheriff - Bond and Fine and Commissary; County Clerk - Fee, Trust, Payroll and Payroll Tax Clearing; Circuit Clerk - Fee and Trust; and Juvenile Probation.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

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 and fee and tax settlements that have not been transferred to the appropriate entities.

Equity Classification

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.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2: Cash and Investments

Deposit and investment 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.

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 - 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, 2005, the legal debt limit for the County was \$37,469,863. There were no property tax secured bond issues.

NOTE 5: Federal Funds Program Compliance

The Senior Citizens, Sheriff's Local Law Enforcement Block Grant, Office of Emergency Services Pre-Disaster Mitigation Program and Homeland Security 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, 2005
<u>Road</u>	\$ 1,486,554
<u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
County Recorder's Cost	\$ 28,229
County Jail Sales Tax	55,739
Boating Safety (Act 122)	6
Economic Development	3,228,051
Sheriff's Communications Facility and Equipment	67,605
Child Support Collection Costs	1,152
County Juvenile	2,799
Sheriff's Block Grant	10,192
Sheriff's Commissary	43,103
Sheriff's Firing Range	3,904
Sheriff's Helicopter	42,785
Senior Citizens	86,587
Emergency 911	175,928
Drug Task Force	20,790
Local Emergency Response Grant	1,836
County Clerk's Marriage License	1,471
Court Automation	24,950

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 6: Reserved Fund Balance (Continued)

	December 31, 2005
<u>Other Funds in the Aggregate</u> (Continued)	
Special Revenue Funds: (Continued)	
Collector's Automation	\$ 19,095
County Clerk's Automation	18,142
Juvenile Detention	5,236
West Nile Virus	3,104
Treasurer's Automation	137,015
Juvenile Block Grant	2,155
Homeland Security Grant	55,878
Game Protection	19,050
Fair Board Grant	2,674
Substance Abuse Education	5,000
Total Other Funds in the Aggregate	\$ 4,062,476

NOTE 7: Commitments

Total commitments consist of the following at December 31, 2005:

	December 31, 2005
Long-Term Debt	\$ 1,948,061
Noncancellable Leases	63,370
Total Commitments	\$ 2,011,431

Long-Term Debt

Long-Term Debt at December 31, 2005 is comprised of the following:

	December 31, 2005
Compensated absences	\$ 5,432
Estimated liability for landfill closure and postclosure care costs	1,349,457
Note payable entered on July 7, 2003 with First National Bank of Blytheville for the purchase of a 2003 Ford F350 truck, monthly installments of \$641 for 36 months. Payments are to be made from the General Fund.	3,800
Note payable entered on November 29, 2004 with First National Bank of Blytheville for the purchase of a 963 Caterpillar loader, monthly installments of \$1,484 for 36 months. Payments are to be made from the General Fund.	34,062
Note payable entered on January 28, 2005 with First National Bank of Blytheville for the purchase of a 826C Caterpillar compactor, monthly installments of \$4,148 for 36 months. Payments are to be made from the General Fund.	99,037

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 7: Commitments (Continued)

Long-Term Debt (Continued)

	<u>December 31, 2005</u>
Note payable entered on July 1, 2005 with First National Bank of Blytheville for the purchase of a 2002 New Holland tractor, monthly installments of \$1,493 for 36 months. Payments are to be made from the General Fund.	\$ 43,710
Note payable entered on April 27, 2005 with Ford Motor Credit Corporation for the purchase of a 2005 Ford F150 truck, monthly installments of \$699 for 36 months. Payments are to be made from the Road Fund.	17,847
Note payable entered on April 27, 2005 with Ford Motor Credit Corporation for the purchase of a 2005 Ford F150 truck, monthly installments of \$494 for 36 months. Payments are to be made from the Road Fund.	12,614
Note payable entered on July 1, 2005 with First National Bank of Blytheville for the purchase of two (2) Caterpillar road graders, monthly installments of \$6,772 for 36 months. Payments are to be made from the Road Fund.	198,442
Lease-purchase agreement entered on May 12, 2005 with First Continental Leasing for the purchase of two (2) 2006 Mack trucks, three (3) annual installments of \$65,304, payment in arrears. Payments are to be made from the Road Fund.	<u>183,660</u>
Total Long-Term Debt	<u><u>\$ 1,948,061</u></u>

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

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. The estimated liability for landfill closure and postclosure care costs has a balance of \$1,349,457 as of December 31, 2005, which is based on 47 percent use of the class one (1) landfill and 75 percent use of the class four (4) landfill capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$991,543 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. 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, \$64,555 in interest has been added to the \$350,000 that has been set aside by the County for a total designated fund balance of \$414,555 in the 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>
2006	\$ 184,926	\$ 65,304	\$ 250,230
2007	181,081	65,304	246,385
2008	66,778	65,304	132,082
Total Obligations	<u>432,785</u>	<u>195,912</u>	<u>628,697</u>
Less Interest	<u>23,273</u>	<u>12,252</u>	<u>35,525</u>
Total Principal	<u><u>\$ 409,512</u></u>	<u><u>\$ 183,660</u></u>	<u><u>\$ 593,172</u></u>

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 7: Commitments (Continued)

Noncancellable Lease

The County entered into the following noncancellable lease agreements:

<u>Description of Leased Property</u>	<u>Date of Lease</u>	<u>Terms</u>
Caterpillar 140H road grader	10/29/03	36 months @ \$1,987
Caterpillar 140H road grader	10/29/03	36 months @ \$1,979

At the end of the lease terms, the County will return the equipment to the lessors.

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

<u>Year</u>	<u>Amount</u>
2006	\$ 39,660

Rental expense for 2005 was \$61,876.

NOTE 8: 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 (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 9: 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.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 9: Risk Management (Continued)

Vehicle Program (Continued)

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 \$350,000. 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 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 10: 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.

MISSISSIPPI COUNTY, ARKANSAS
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

Schedule 1

	<u>December 31, 2005</u>
Land	\$ 1,808,700
Buildings	16,303,159
Equipment	<u>5,728,536</u>
Total	<u><u>\$ 23,840,395</u></u>