

Mississippi County, Arkansas

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

December 31, 2004

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 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, 2004, 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. As described in Note 1(B), the County has adopted a new financial reporting model, which is a regulatory basis of fund presentation, as prescribed by Ark. Code Ann. §10-4-202. 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, 2004, 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, the Mississippi County Insurance account, the Mississippi County Senior Citizens Transportation and the Mississippi County Senior Citizens Social Services accounts have not been included in the County's financial statements. The regulatory basis of fund presentation as prescribed by Ark. Code Ann. §10-4-202, as applied to the County's modified cash basis of accounting, requires the Mississippi County Library Fund, the Mississippi County Insurance account, the Mississippi County Senior Citizens Transportation and the Mississippi County Senior Citizens Social Services accounts to be presented as part of the other funds presented 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 financial statements also do not disclose all the required information concerning deposits, which should be included in order to conform with the 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 modified cash basis financial position of the other funds in the aggregate of Mississippi County, Arkansas, as of December 31, 2004, and the respective changes in the modified cash basis financial position for the basis of accounting as described in Note 1 (C).

In addition, 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 modified cash basis financial position of the general fund and road funds of Mississippi County, Arkansas, as of December 31, 2004, and the respective changes in the modified cash basis financial position, and the budgetary results for the general and road funds for the basis of accounting as described in Note 1 (C).

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2005 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.

Our audit was conducted for the purpose of forming an opinion on the 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, express no opinion on the Schedule of Capital Assets.

DIVISION OF LEGISLATIVE AUDIT



Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
May 16, 2005
LOCO04704

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverty
Senate Co-Vice Chair
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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, 2004 and have issued our report thereon dated May 16, 2005. 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 Insurance Account, Mississippi County Senior Citizen Transportation, Mississippi County Senior Citizen Social Services and the Mississippi County Library System. Also, the required disclosures were not made concerning deposits for the 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.

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.

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 below relating to inadequate segregation of duties to be a material weakness.

All county officials, as specified in the Other Management Issues section of this report, had inadequate control over receipting, depositing, disbursing, and recording cash transactions because of insufficient segregation of duties. Inadequate segregation of duties could result in a misappropriation of assets, which could have a material effect on the financial statements.

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

Other Management Issues

The following issues are not reportable conditions, 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 2004:

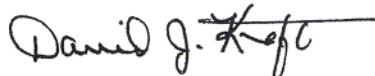
County Judge: Steve McGuire
Treasurer: Glenda Moore
Sheriff: Leroy Meadows
Tax Collector: Patricia Caldwell
County Clerk: Lib Shippen
Circuit Clerk: Donna Bray

Our audit procedures indicated that the Offices of **County Judge, Treasurer, Sheriff, County Clerk** and **Circuit Clerk** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law was noted in the Office of **Tax Collector** and is reported below:

The **Tax Collector** again did not adequately ensure or collateralize deposits of the County. Adequate collateralization is essential for proper safeguarding of assets.

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
May 16, 2005

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - REGULATORY PRESENTATION - MODIFIED CASH BASIS
 DECEMBER 31, 2004

Exhibit A

	General	Road	Other Funds In The Aggregate
ASSETS			
Cash and cash equivalents	\$ 2,697,790	\$ 1,416,922	\$ 16,211,500
LIABILITIES AND FUND BALANCES			
Liabilities:			
Settlements pending			\$ 12,649,846
Fund Balances:			
Reserved		\$ 1,416,922	3,561,654
Unreserved:			
Designated:			
Landfill closure and postclosure care costs	\$ 352,823		
Undesignated	2,344,967		
Total Fund Balances	2,697,790	1,416,922	3,561,654
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,697,790	\$ 1,416,922	\$ 16,211,500

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 PRESENTATION - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Exhibit B

	General	Road	Other Funds In The Aggregate
RECEIPTS			
State aid	\$ 625,247	\$ 1,330,860	\$ 99,467
Federal aid	12,647		447,762
Property taxes	817,626	538,450	
Sales taxes	1,551,843		3,540,891
Fines, forfeitures and costs	655,431		56,726
Interest	22,123	30,434	46,067
Officers' fees	223,606		280,984
Landfill fees	1,708,736		
Jail fees			352,833
Emergency 911 fees			295,677
Hospital lease payments	1,989,181		
Treasurer's commission	131,062		30,165
Collector's commission	361,724		44,549
Taxes apportioned - Assessor's salary and expense	370,393		
Other	422,765	81,966	18,509
	8,892,384	1,981,710	5,213,630
TOTAL RECEIPTS			
Less: Treasurer's commission	56,797	39,317	
	8,835,587	1,942,393	5,213,630
NET RECEIPTS			
DISBURSEMENTS			
Current:			
General government	2,304,092		743,327
Law enforcement	2,133,572		2,539,826
Highways and streets		1,757,764	
Public safety	10,650		551,186
Sanitation	1,350,792		
Health	77,168		
Social services	80,659		372,695
Total Current	5,956,933	1,757,764	4,207,034
Debt service:			
Note payable - principal	219,114	9,526	
Note payable - interest	9,769	298	
	6,185,816	1,767,588	4,207,034
TOTAL DISBURSEMENTS			
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	2,649,771	174,805	1,006,596
OTHER FINANCING SOURCES (USES)			
Transfers in	22,780	24	895,746
Transfers out	(843,547)		(75,003)
	(820,767)	24	820,743
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	1,829,004	174,829	1,827,339
FUND BALANCES - JANUARY 1	868,786	1,242,093	1,734,315
FUND BALANCES - DECEMBER 31	\$ 2,697,790	\$ 1,416,922	\$ 3,561,654

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 PRESENTATION - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
State aid	\$ 674,568	\$ 625,247	\$ (49,321)	\$ 1,247,648	\$ 1,330,860	\$ 83,212
Federal aid		12,647	12,647			
Property taxes	831,353	817,626	(13,727)	643,762	538,450	(105,312)
Sales taxes	1,607,000	1,551,843	(55,157)			
Fines, forfeitures and costs	603,332	655,431	52,099			
Interest	10,000	22,123	12,123	8,501	30,434	21,933
Officers' fees	288,474	223,606	(64,868)			
Landfill fees	1,307,402	1,708,736	401,334			
Jail fees	579,135		(579,135)			
Hospital lease payments		1,989,181	1,989,181			
Treasurer's commission	235,000	131,062	(103,938)			
Collector's commission	521,000	361,724	(159,276)			
Taxes apportioned - Assessor's salary and expense	663,195	370,393	(292,802)			
Other	269,008	422,765	153,757	95,385	81,966	(13,419)
TOTAL RECEIPTS	7,589,467	8,892,384	1,302,917	1,995,296	1,981,710	(13,586)
Less: Treasurer's commission		56,797	(56,797)		39,317	(39,317)
NET RECEIPTS	7,589,467	8,835,587	1,246,120	1,995,296	1,942,393	(52,903)
DISBURSEMENTS						
Current:						
General government	2,372,757	2,304,092	68,665			
Law enforcement	2,201,812	2,133,572	68,240			
Highways and streets				1,927,988	1,757,764	170,224
Public safety	11,364	10,650	714			
Sanitation	1,587,854	1,350,792	237,062			
Health	79,922	77,168	2,754			
Social services	81,326	80,659	667			
Total Current	6,335,035	5,956,933	378,102	1,927,988	1,757,764	170,224

MISSISSIPPI COUNTY, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND ROAD FUNDS - REGULATORY PRESENTATION - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

Exhibit C

	General			Road		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
DISBURSEMENTS (CONTINUED)						
Debt service:						
Note payable - principal		\$ 219,114	\$ (219,114)		\$ 9,526	\$ (9,526)
Note payable - interest		9,769	(9,769)		298	(298)
TOTAL DISBURSEMENTS	<u>\$ 6,335,035</u>	<u>6,185,816</u>	<u>149,219</u>	<u>\$ 1,927,988</u>	<u>1,767,588</u>	<u>160,400</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>1,254,432</u>	<u>2,649,771</u>	<u>1,395,339</u>	<u>67,308</u>	<u>174,805</u>	<u>107,497</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	70,120	22,780	(47,340)		24	24
Transfers out	<u>(1,067,544)</u>	<u>(843,547)</u>	<u>223,997</u>			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(997,424)</u>	<u>(820,767)</u>	<u>176,657</u>		<u>24</u>	<u>24</u>
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	257,008	1,829,004	1,571,996	67,308	174,829	107,521
FUND BALANCES - JANUARY 1	<u>868,786</u>	<u>868,786</u>		<u>1,242,093</u>	<u>1,242,093</u>	
FUND BALANCES - DECEMBER 31	<u><u>\$ 1,125,794</u></u>	<u><u>\$ 2,697,790</u></u>	<u><u>\$ 1,571,996</u></u>	<u><u>\$ 1,309,401</u></u>	<u><u>\$ 1,416,922</u></u>	<u><u>\$ 107,521</u></u>

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

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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. The County maintains its records on a modified cash basis of accounting, as discussed in Note 1.C. This regulatory basis of presentation and modified basis of accounting differ 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, Mississippi County Insurance Account, Mississippi County Senior Citizen Transportation and Mississippi County Senior Citizen Social Services.

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 Annotated §10-4-202 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 receipts, disbursements, and changes in fund 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 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 bank accounts: General, Hospital Lease 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, Act 122 Boating Safety, Economic Development, Detention Center, Sheriff's Communication and Facility, Child Support Collection Cost, County Juvenile, Sheriff Block Grant, Sheriff Commissary, Sheriff Firing Range, Sheriff 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, Maverick Road, Juvenile Detention, Emergency Response Grant, West Nile Virus, Treasurer's Automation, Juvenile Block Grant, Homeland Security Grant, Community Emergency Response Team Grant, Disaster Mitigation Grant and Fair Board 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: Juvenile Fee, ISA Interest, Common School, Hospital, Arkansas Northeast College, Blytheville Law Library, Osceola Law Library, Administration of Justice, Treasurer's Commission, Treasurer's Interest, Land Redemption, Timber Tax, Rural Fire Grant, Rural Fire Department, Cash Bond, Delinquent Personal, Current Tax, Collector's Interest, Game and Fish, Highway Department, Public Defender, Landfill Sales Tax, Judicial Enhancement, Property Tax Relief, Soil Conservation, Right-of-Way, State Land Sale, Cities, Schools, Improvement/Drainage Districts, Tax Collector's Current Tax Account, Tax Collector's Delinquent Personal, Tax Collector's Delinquent Real, Tax Collector's Delinquent Improvement, Sheriff's Bond and Fine, Sheriff's Commissary, County Clerk's Fee and Trust, Payroll, Payroll Tax Clearing and Circuit Clerk's Fees and Trust.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The financial statements are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments, payroll taxes withheld and settlements pending. The basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash 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 payroll taxes withheld but not yet paid and settlements pending. Settlements pending are considered fines, forfeitures, costs and property taxes 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 modified cash basis for the General Fund, Road Fund and the other Special Revenue Funds.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2: Cash

Custodial credit risk information for deposits relating to whether deposits are insured or secured with collateral has not been provided.

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, 2004, the legal debt limit for the County was \$43,080,045. There were no property tax secured bond issues.

NOTE 5: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2004
Special Revenues:	
Road	\$ 1,416,922
County Recorder's Cost	125,055
County Jail Sales Tax	30,669
Act 122 Boating Safety	861
Economic Development	2,682,980
Detention Center	4,026
Sheriff's Communication and Facility	80,296
Child Support Collection Cost	2,558
County Juvenile	3,059
Sheriff's Block Grant	17,279
Sheriff's Commissary	43,609
Sheriff's Firing Range	5,761
Sheriff's Helicopter	61,004
Emergency Medical	1,718
Senior Citizens	65,861
Emergency 911	256,950
Drug Task Force	15,978

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 5: Reserved Fund Balance (Continued)

	December 31, 2004
Special Revenues: (Continued)	
Local Emergency Response Grant	\$ 117
County Clerk's Marriage License	1,410
Court Automation	17,568
Collector's Automation	62,375
County Clerk's Automation	22,306
Emergency Response Grant	2,911
West Nile Virus	3,051
Treasurer's Automation	4,052
Juvenile Block Grant	3,824
Homeland Security Grant	41,337
Disaster Mitigation Grant	2,410
Fair Board Grant	2,629
Total	\$ 4,978,576

NOTE 6: Commitments

Total commitments consist of the following at December 31, 2004:

	December 31, 2004
Long-Term Debt	\$ 688,454
Noncancellable leases	131,231
Total Commitments	\$ 819,685

Long-Term Debt

Long-Term Debt at December 31, 2004 is comprised of the following:

	December 31, 2004
Compensated absences	\$ 4,205
Estimated liability for landfill closure and postclosure care costs.	527,081
Note payable entered on November 29, 2004, with First National Bank, Blytheville, Arkansas. Thirty-six monthly installments of \$1,484 starting on January 3, 2005 through December 3, 2007. Interest at 4.25 percent. Payments are made from the General Fund.	50,050

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 6: Commitments (Continued)

Long-Term Debt (Continued)

	December 31, 2004
Note payable entered on July 17, 2002, with First National Bank, Blytheville, Arkansas. Thirty-six monthly installments of \$6,790 starting on August 17, 2002 through July 17, 2005. Interest at 4 percent. Payments are made from the General Fund.	\$ 46,868
Note payable entered on December 23, 2002, with Farmer's Bank and Trust, Blytheville, Arkansas. Annual installments of \$17,833, \$17,833, and \$17,859 starting on December 23, 2003 through December 23, 2005. Interest at 5 percent. Payments are made from the Road Fund.	35,692
Note payable entered on July 7, 2003, with First National Bank, Blytheville, Arkansas. Thirty-six monthly installments of \$641 starting on July 31, 2003 through June 30, 2006. Interest at 4 percent. Payments are made from the General Fund.	11,147
Note payable entered on March 13, 2003, with First National Bank, Blytheville, Arkansas. Twenty-four monthly installments of \$965 starting on April 13, 2003 through April 13, 2005. Interest at 5.98 percent. Payments are made from the General Fund.	2,883
Note payable entered on January 22, 2003, with Ford Motor Credit Corporation, Franklin, Tennessee. Thirty-six monthly installments of \$818 starting on February 22, 2003 through January 22, 2006. Interest at 1.9 percent. Payments are made from the Road Fund.	10,528
Total Long-Term Debt	\$ 688,454

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

Compensated Absences

Compensated absences do vest or accumulate. The amount of compensated absences is reflected above.

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 \$527,081 as of December 31, 2004, which is based on 28 percent use of the class one (1) landfill and 100 percent use of the class four (4) landfills capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,076,488 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. 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, \$52,823 in interest has been added to the \$300,000 that has been set aside by the County for a total designated fund balance of \$352,823 in the General Fund.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 6: Commitments (Continued)

Debt Service Requirements to Maturity

The County is obligated for the following amounts:

Years Ending December 31,	Notes
2005	\$ 124,109
2006	22,470
2007	17,857
Total Obligations	164,436
Less Interest	7,268
Total Principal	\$ 157,168

Noncancellable Lease

The County entered into a noncancellable lease agreement for a 2002 Ford Ranger on March 26, 2002. Terms of the lease are monthly rental payments of \$331 each 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 an 8970A New Holland tractor on August 8, 2002. Terms of the lease are annual payments of \$16,741 for three years. At the end of the lease term, the County will return the tractor to New Holland.

The County entered into two noncancellable lease agreements for two 140H Caterpillar tractors on July 1, 2002. Terms of the leases are monthly rental payments of \$2,128 each for 36 months. At the end of the lease term, the County will return the tractors to Caterpillar.

The County entered into two noncancellable lease agreements for two 140H Caterpillar tractors on October 29, 2003. Terms of the leases are monthly rental payments of \$1,986 and \$1,979 each for 36 months. At the end of the lease term, the County will return the tractors to Caterpillar.

The County entered into a noncancellable lease agreement for a 2002 Dodge pickup on May 25, 2003. Terms of the lease are monthly rental payments of \$269 for 36 months. At the end of the lease term, the County will return the truck to George Louis Motors.

The County entered into two noncancellable lease agreements for two 2002 Dodge pickups on May 25, 2003. Terms of the lease are monthly rental payments of \$285 each for 36 months. At the end of the lease term, the County will return the truck to George Louis Motors.

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

Year	Amount
2005	\$ 84,252
2006	46,979
Total	\$ 131,231

Rental expense for 2004 was \$134,242.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 7: 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 8: 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 \$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 may participate in the Secondary Loss Fund that provides additional coverage.

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 9: 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 10: Insurance

The County insures vehicles being leased or lease-purchased in order to satisfy vendor's 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.

MISSISSIPPI COUNTY, ARKANSAS
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Unaudited)

Schedule 1

	<u>December 31, 2004</u>
Land	\$ 933,700
Buildings	15,854,159
Equipment	<u>4,640,768</u>
Total	<u><u>\$ 21,428,627</u></u>