

Mississippi County, Arkansas

**Basic Financial Statements (Modified Cash Basis),
Supplementary Information and Other Reports**

December 31, 2003

LEGISLATIVE JOINT AUDITING COMMITTEE



MISSISSIPPI COUNTY, ARKANSAS
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Senate Co-Chair
Rep. Tommy G. Roebuck
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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 governmental activities, each presented major governmental fund, and the aggregate remaining fund information of Mississippi County, Arkansas, as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements 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 in Note 1(C), the County prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Mississippi County Library System has not been included in the County's financial statements. Accounting principles generally accepted in the United States of America, as applied to the County's modified cash basis of accounting, require the Mississippi County Library System to be presented as a discretely presented component unit. The amount by which this departure would affect the assets, liabilities, receipts, and disbursements of the component unit is not reasonably determinable. Also, as a result, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1(C), the modified cash basis financial position of the Mississippi County Library System of Mississippi County, Arkansas, as of December 31, 2003, and the changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1(C). 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 of not reporting the Mississippi County Library System as described in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1(C), the modified cash basis financial position of the discretely presented component unit of Mississippi County, Arkansas, as of December 31, 2003, and the changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting 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 modified cash basis financial position of the governmental activities, each presented major governmental fund, and the aggregate remaining fund information of the Mississippi County, Arkansas, as of and for the year ended December 31, 2003, and the respective changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1(C).

As described in Note 1(B), the County has adopted a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as of December 31, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 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.

The required supplementary information, as listed in the accompanying table of contents, including the General, Street, County Jail Sales Tax, and Economic Development Funds Budgetary Comparison Schedules and Notes is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. Management has elected to exclude Management’s Discussion and Analysis, which is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County’s basic financial statements. The supplementary information in the Schedule of Fixed Assets listed in the table of contents is presented for the purpose of additional analysis, but it is neither a required part of the financial statements nor supplementary information required by the Governmental Accounting Standards Board. We have not applied auditing procedures to this information and, accordingly, express no opinion on the Schedule of Fixed Assets.

DIVISION OF LEGISLATIVE AUDIT



Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
January 4, 2005
LOCO04703

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverly
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, 2003 and have issued our report thereon dated January 4, 2005. In our report, our opinion on the discretely presented component unit was adverse because of the effects on the financial statements of not including the Mississippi County Library System. Our opinions on governmental activities, each major governmental fund, and aggregate remaining fund information were qualified because 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.

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 2003:

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

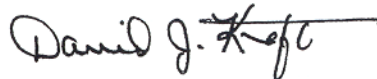
Our audit procedures indicated that the Offices of **County Judge, Treasurer, Sheriff, County Clerk** and **Circuit Clerk** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and generally accepted accounting practices were noted in the Offices of **Tax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

The **Tax Collector** again did not make available to the County Clerk information to allow the preparation of the final settlement before year-end. As a result of this delay, the final tax settlement was not prepared until March 2004, which prevented financial information and funds from being available to the County and other taxing entities for budget planning and payment of current expenditures. Also, the Tax Collector did not adequately ensure deposits of the County. Adequate collateralization is essential for proper safeguarding of assets.

Access security, data integrity, end user, disaster recovery and business continuity plans, and general controls were not adequate for the offices of **Tax Collector** and **Assessor**. Adequate information controls are essential for safeguarding county financial information.

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
January 4, 2005

MISSISSIPPI COUNTY, ARKANSAS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2003

Exhibit A

| | <u>Primary Government</u> <u>Governmental</u> <u>Activities</u> |
|---------------------------|---|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 3,845,194</u> |
| NET ASSETS | |
| Restricted: | |
| Other purposes | \$ 3,266,281 |
| Unrestricted | <u>578,913</u> |
| TOTAL NET ASSETS | <u>\$ 3,845,194</u> |

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

MISSISSIPPI COUNTY, ARKANSAS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
DECEMBER 31, 2003

Exhibit B

| Functions/Programs | Disbursements | Program Receipts | | Net (Disbursements) Receipts and Changes in Net Assets |
|--|---------------|---|--|---|
| | | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Primary Government Governmental Activities |
| Primary Government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,838,575 | \$ 591,397 | \$ 176,614 | \$ (2,070,564) |
| Public safety | 5,239,521 | 1,871,983 | 139,790 | (3,227,748) |
| Roads and public works | 2,594,039 | 1,459,618 | 60,821 | (1,073,600) |
| Health and welfare | 610,753 | | 305,301 | (305,452) |
| Recreation and culture | | | 2,583 | 2,583 |
| Debt service: | | | | |
| Principal, interest and fiscal charges | 319,207 | | | (319,207) |
| Total Government | \$ 11,602,095 | \$ 3,922,998 | \$ 685,109 | (6,993,988) |
| General receipts: | | | | |
| Taxes: | | | | |
| Property taxes | | | | 1,274,817 |
| Franchise taxes | | | | 3,425,563 |
| Sales taxes | | | | 1,540,268 |
| State and federal aid | | | | 71,782 |
| Interest | | | | 337,688 |
| Other miscellaneous | | | | 6,650,118 |
| | | Total general receipts | | 6,650,118 |
| | | Change in net assets | | (343,870) |
| Net assets - beginning | | | | 4,189,064 |
| Net assets - ending | | | | \$ 3,845,194 |

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

MISSISSIPPI COUNTY, ARKANSAS
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
DECEMBER 31, 2003

Exhibit C

| | General | Road | County Jail Sales Tax | Economic Development | Other Governmental Funds | Totals Governmental Funds December 31, 2003 |
|---|------------|--------------|--------------------------|-------------------------|--------------------------------|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 868,786 | \$ 1,242,093 | \$ 117,860 | \$ 569,849 | \$ 1,046,606 | \$ 3,845,194 |
| FUND BALANCES | | | | | | |
| Reserved for: | | | | | | |
| Landfill closure and postclosure care costs | \$ 289,873 | | | | | \$ 289,873 |
| Unreserved, reported in: | | | | | | |
| General fund | 578,913 | | | | | 578,913 |
| Special revenue funds | | \$ 1,242,093 | \$ 117,860 | \$ 569,849 | \$ 1,046,606 | 2,976,408 |
| TOTAL FUND BALANCES | \$ 868,786 | \$ 1,242,093 | \$ 117,860 | \$ 569,849 | \$ 1,046,606 | \$ 3,845,194 |

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

MISSISSIPPI COUNTY, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

Exhibit D

| | General | Road | County Jail Sales Tax | Economic Development | Other Governmental Funds | Totals December 31, 2003 |
|---|------------------|------------------|--------------------------|-------------------------|--------------------------------|--------------------------------|
| RECEIPTS | | | | | | |
| State aid | \$ 571,888 | \$ 1,228,757 | | | \$ 125,605 | \$ 1,926,250 |
| Federal aid | | | | | 299,127 | 299,127 |
| Property taxes | 758,198 | 516,619 | | | | 1,274,817 |
| Franchise taxes | | | | | | |
| Sales taxes | 1,515,090 | | \$ 1,152,343 | \$ 758,130 | | 3,425,563 |
| Fines, forfeitures and costs | 625,557 | | | | 28,152 | 653,709 |
| Interest | 22,882 | 20,673 | 9,393 | 686 | 18,148 | 71,782 |
| Officers' fees | 226,756 | | | | 302,641 | 529,397 |
| Jail fees | 595,642 | | | | | 595,642 |
| Treasurer's commission | 82,231 | | | | 32,223 | 114,454 |
| Collector's commission | 79,032 | | | | 55,537 | 134,569 |
| Taxes apportioned - Assessor's salary and expense | 85,777 | | | | | 85,777 |
| Other | 1,754,083 | 14,144 | | | 378,911 | 2,147,138 |
| TOTAL RECEIPTS | 6,317,136 | 1,780,193 | 1,161,736 | 758,816 | 1,240,344 | 11,258,225 |
| Less: Treasurer's commission | 55,998 | 13,036 | | | | 69,034 |
| NET RECEIPTS | 6,261,138 | 1,767,157 | 1,161,736 | 758,816 | 1,240,344 | 11,189,191 |
| DISBURSEMENTS | | | | | | |
| Current: | | | | | | |
| General government | 2,435,345 | | | 186,222 | 147,974 | 2,769,541 |
| Public safety | 3,722,083 | | 1,283,953 | | 233,485 | 5,239,521 |
| Roads and public works | 1,021,270 | 1,572,769 | | | | 2,594,039 |
| Health and welfare | 399,379 | | | | 211,374 | 610,753 |
| Total Current | 7,578,077 | 1,572,769 | 1,283,953 | 186,222 | 592,833 | 11,213,854 |
| Debt service: | | | | | | |
| Principal, interest and fiscal charges | 282,019 | 37,188 | | | | 319,207 |
| TOTAL DISBURSEMENTS | 7,860,096 | 1,609,957 | 1,283,953 | 186,222 | 592,833 | 11,533,061 |

MISSISSIPPI COUNTY, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

Exhibit D

| | General | Road | County Jail Sales Tax | Economic Development | Other Governmental Funds | Totals December 31, 2003 |
|--|----------------|--------------|--------------------------|-------------------------|--------------------------------|--------------------------------|
| EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS | \$ (1,598,958) | \$ 157,200 | \$ (122,217) | \$ 572,594 | \$ 647,511 | \$ (343,870) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 1,667,053 | 61,281 | 319,153 | | 266,553 | 2,314,040 |
| Transfers out | (555,815) | (2) | (972,144) | (2,745) | (783,334) | (2,314,040) |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,111,238 | 61,279 | (652,991) | (2,745) | (516,781) | 0 |
| NET CHANGE IN FUND BALANCES | (487,720) | 218,479 | (775,208) | 569,849 | 130,730 | (343,870) |
| FUND BALANCES - JANUARY 1 | 1,356,506 | 1,023,614 | 893,068 | | 915,876 | 4,189,064 |
| FUND BALANCES - DECEMBER 31 | \$ 868,786 | \$ 1,242,093 | \$ 117,860 | \$ 569,849 | \$ 1,046,606 | \$ 3,845,194 |

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

MISSISSIPPI COUNTY, ARKANSAS
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2003

Exhibit E

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 9,474,842</u> |
| LIABILITIES | |
| Settlements pending | <u>\$ 9,474,842</u> |

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

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1: Summary of Significant Accounting Policies

As discussed further in Note 1(C), these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Financial Reporting Entity

The County is a political subdivision of the state governed by an elected quorum court. The financial statements of the reporting entity include those of the County (the primary government) and its component unit. The component unit discussed below is required to be included in the County's reporting entity as a discretely presented component unit because of the significance of its operational or financial relationships with the County.

Discretely presented component unit

The component unit that is required to be discretely presented in the County's report is presented below:

Component Unit Brief Description/Inclusion Criteria

County Library Board - The County Library Board was established by the Mississippi County Quorum Court in accordance with Ark. Code Ann. 14-14-701 and 14-14-712. Control by or dependence on the County was determined by the appointment and confirmation of the board of directors and by approval of the budget by the Quorum Court.

Separate financial information for the component unit can be obtained at the Mississippi County Library, 200 N, 5th Street, Blytheville, Arkansas 72315.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature. The statements distinguish between governmental and business type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts. Business type activities are financed in whole or in part by fees charged to external parties for goods or services. The County does not have business activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts and disbursements. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, receipts, disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, receipts, disbursements of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The funds of the financial reporting entity included in the financial statements are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund and is used to account for all financial resources, except those required to be accounted for in another fund. It is always classified as a major fund. The General Fund heading as it appears in the financial statements includes the following bank accounts: County General, Treasurer's Commission, and Landfill.

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 Road Fund, which is a special revenue fund used to account for funds legally restricted for road expenditures, is a major fund. The County Jail Sales Tax and Economic Development Funds are reported as major funds, which accounts for county sales taxes legally restricted for jail operations, and economic development. The reporting entity includes the following special revenue funds, all of which are reported as non-major funds: County Recorder's Cost, Boating Safety, Mississippi County Detention Center Act 1188, Sheriff's Facility and Equipment, Child Support Collection Cost, County Juvenile, Sheriff's Special Block Grant, Sheriff's Commissary, Sheriff's Firing Range, Sheriff's Helicopter, Emergency Medical, Senior Citizens, Emergency 911, Drug Task Force, Local Emergency Response, County Clerk Marriage License, Court's Automation, Collector's Automation, County Clerk's Automation, Maverick Road, Juvenile Detention, Emergency Response Grant, West Nile Virus Grant, Treasurer's Automation, Juvenile Accountability Incentive Block Grant, Homeland Security Grant, Community Emergency Response Grant, Disaster Mitigation Grant, and Fair Board Grant.

Fiduciary Funds

Agency Funds

Agency Funds are used to account for assets held by the entity as an agent for individuals, private organizations, other governmental units, and other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below:

In the fund financial statements, the "current financial resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

All governmental and fiduciary funds utilize a "current financial resources" measurement focus. Only cash, cash equivalents and settlements pending are generally included on their balance sheets. Governmental funds use fund balance as their measure of available spendable financial resources at the end of the period. Fiduciary fund equity is classified as net assets.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting

The financial statements are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, receipts, and disbursements when they result from cash transactions with a provision for 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 fixed 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.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Assets, Liabilities and Equity

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, property taxes, and various fees that have not been transferred to the appropriate entities.

Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted".

The County has no policy regarding whether to first use restricted or unrestricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Equity (Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

In the Statement of Activities, modified cash basis receipts that are derived directly from each activity or from parties outside the County's taxpayers are reported as program receipts. The County has the following program receipts in each activity:

| | |
|------------------------|--|
| General government | Licenses and permits, various fees, and operating grants include: Veteran Affairs and Reappraisal reimbursements. |
| Public safety | Court fines, jail fees or reimbursements, 911 fees and operating grants include: Office of Emergency Services, and juvenile reimbursement, Boating Safety, Community Emergency Response Team, Disaster Mitigation/Emergency Response, Local Law Enforcement Block, and Juvenile Accountability Incentive Block Grants. |
| Roads and public works | Sanitation fees and operating grant includes: Arkansas Infrastructure Fund Grant-Maverick Tube Road Project. |
| Health and welfare | Operating grants include: Social Service/Cigarette Tax Block and Social Services/Title III/Nutrition Services Grants. |
| Recreation and culture | Operating grant includes: County Fair Building Grant. |

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

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.

NOTE 2: Cash

Custodial credit risk information for deposits has not been provided as required by Governmental Accounting Standards Board Statement No. 3. This statement requires disclosure relating to whether deposits are insured or secured with collateral.

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.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

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, 2003, the legal debt limit for the County was \$35,720,689. There were no property tax secured bond issues.

NOTE 5: Restricted Net Assets – Other Purposes

Restricted Net Assets consists of the following:

| | December 31, 2003 |
|----------------------|----------------------|
| Landfill | \$ 289,873 |
| Road | 1,242,093 |
| Economic Development | 569,849 |
| Emergency 911 | 290,424 |
| Other Restricted | 874,042 |
| Total | \$ 3,266,281 |

NOTE 6: Commitments

Total commitments consist of the following at December 31, 2003:

| | December 31, 2003 |
|---------------------------------|----------------------|
| Long-Term Debt | \$ 848,113 |
| Noncancellable Operating Leases | 241,994 |
| Total Commitments | \$ 1,090,107 |

Long-Term Debt

Long-Term Debt at December 31, 2003 is comprised of the following:

| | December 31, 2003 |
|---|----------------------|
| Compensated absences | \$ 4,447 |
| Estimated liability for landfill closure and postclosure care costs. | 507,908 |
| Note payable entered on November 19, 2001, with Farmer's Bank and Trust, Blytheville, Arkansas. Annual installments of \$84,538, \$80,362 and \$76,384 starting on November 19, 2002 through November 19, 2004. Interest at 5.8 percent. Payments are made from the General Fund. | 72,186 |

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 6: Commitments (Continued)

Long-Term Debt (Continued)

| | December 31, <u>2003</u> |
|---|-----------------------------|
| Note payable entered on June 6, 2001, with First National Bank, Blytheville, Arkansas. Thirty-five monthly installments of \$3,703 and a final payment of \$3,935 starting on July 15, 2001 through June 15, 2004. Interest at 5.57 percent. Payments are made from the General Fund. | \$ 15,065 |
| Note payable entered on July 25, 2001, with First National Bank, Blytheville, Arkansas. Thirty-six monthly installments of \$5,267 starting on August 24, 2001 through July 24, 2004. Interest at 5.85 percent. Payments are made from the General Fund. | 35,787 |
| 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. | 124,793 |
| 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 | 35,692 |
| Note payable entered on July 7, 2003, with First National Bank, Blytheville, Arkansas. Thirty-six monthly installments of \$640.70 starting on July 31, 2003 through June 30, 2006. Interest at 4 percent. Payments are made from the General Fund. | 18,228 |
| Note payable entered on March 13, 2003, with First National Bank, Blytheville, Arkansas. Twenty-four monthly installments of \$965.65 starting on April 13, 2003 through April 13, 2005. Interest at 5.98 percent. Payments are made from the General Fund. | 13,952 |
| Note payable entered on January 22, 2003, with Ford Motor Credit Corporation, Franklin, Tennessee. Thirty-six monthly installments of \$818.72 starting on February 22, 2003 through January 22, 2006. Interest at 1.9 percent. Payments are made from the Road Fund. | <u>20,055</u> |
| Total Long-Term Debt | <u><u>\$ 848,113</u></u> |

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.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 6: Commitments (Continued)

Debt Service Requirements to Maturity - Notes Payable

The County is obligated for the following amounts:

| <u>Years Ending December 31,</u> | <u>Notes</u> |
|--------------------------------------|-------------------|
| 2004 | \$ 258,511 |
| 2005 | 86,715 |
| 2006 | 4,663 |
| Total Obligations | <u>349,889</u> |
| Less Interest | <u>14,131</u> |
| Total Principal | <u>\$ 335,758</u> |

Noncancellable Operating Leases

The County entered into a noncancellable lease agreement for a 2002 Dodge pickup on February 23, 2002. Terms of the lease are monthly rental payments of \$400 each for 36 months. At the end of the lease term, the County will return the truck to George Louis Motors.

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 is obligated for the following amounts for the next three (3) years:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2004 | \$ 124,179 |
| 2005 | 74,190 |
| 2006 | <u>43,625</u> |
| Total | <u>\$ 241,994</u> |

Rental disbursements for 2003 were \$92,440.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 6: Commitments (Continued)

Closure and Postclosure Care Cost

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 \$507,908 as of December 31, 2003, which is based on 21 percent use of the class one (1) landfill and 89 percent use of the class four (4) landfills capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,687,492 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2003. 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 post closure care costs each year. To date, \$39,873 in interest has been added to the \$250,000 that has been set aside by the County for a total reserved fund balance of \$289,873.

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.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

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. The current employer rate is 10% of annual covered payroll. The County's contributions to PERS for the years ending December 31, 2003, 2002 and 2001 were \$440,141, \$419,408 and \$317,354, respectively, equal to the required contributions for each year.

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
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS (Unaudited)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

MISSISSIPPI COUNTY, ARKANSAS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS (Unaudited)
 ROAD FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

Schedule 1

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|--------------|-------------------|--|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ 1,356,506 | \$ 1,356,506 | \$ 1,356,506 | \$ 0 |
| Resources (Inflows): | | | | |
| State aid | 633,181 | 633,181 | 571,888 | (61,293) |
| Property taxes | 810,195 | 810,195 | 758,198 | (51,997) |
| Sales taxes | 1,607,000 | 1,607,000 | 1,515,090 | (91,910) |
| Fines, forfeitures, and costs | 634,700 | 634,700 | 625,557 | (9,143) |
| Interest | 50,000 | 50,000 | 22,882 | (27,118) |
| Officers' fees | 252,000 | 252,000 | 226,756 | (25,244) |
| Jail fees | 500,000 | 500,000 | 595,642 | 95,642 |
| Treasurer's commission | 135,000 | 135,000 | 82,231 | (52,769) |
| Collector's commission | 330,000 | 330,000 | 79,032 | (250,968) |
| Taxes apportioned - Assessor's salary and expense | 430,000 | 430,000 | 85,777 | (344,223) |
| Other | 2,116,863 | 2,116,863 | 1,754,083 | (362,780) |
| Other financing sources | 605,000 | 605,000 | 1,667,053 | 1,062,053 |
| Less treasurer's commission | | | (55,998) | (55,998) |
| Amounts available for appropriation | \$ 9,460,445 | \$ 9,460,445 | \$ 9,284,697 | \$ (175,748) |
| Charges to Appropriations (Outflows): | | | | |
| General government | \$ 2,841,099 | \$ 2,829,114 | \$ 2,435,345 | \$ 393,769 |
| Public safety | 5,375,563 | 4,000,464 | 3,722,083 | 278,381 |
| Roads and public works | 1,493,333 | 1,498,872 | 1,021,270 | 477,602 |
| Health and welfare | 629,602 | 409,034 | 399,379 | 9,655 |
| Debt service | | | 282,019 | (282,019) |
| Other financing uses | | 842,118 | 555,815 | 286,303 |
| Total Charges to Appropriations | 10,339,597 | 9,579,602 | 8,415,911 | 1,163,691 |
| Ending Budgetary Fund Balance | \$ (879,152) | \$ (119,157) | \$ 868,786 | \$ 987,943 |

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|--------------|-------------------|--|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ 1,023,614 | \$ 1,023,614 | \$ 1,023,614 | \$ 0 |
| Resources (Inflows): | | | | |
| State aid | 1,311,638 | 1,311,638 | 1,228,757 | (82,881) |
| Property taxes | 541,638 | 541,499 | 516,619 | (24,880) |
| Interest | 4,000 | 4,000 | 20,673 | 16,673 |
| Other | 5,876 | 6,276 | 14,144 | 7,868 |
| Other financing sources | | | 61,281 | 61,281 |
| Less treasurer's commission | | | (13,036) | (13,036) |
| Amounts available for appropriation | \$ 2,886,766 | \$ 2,887,027 | \$ 2,852,052 | \$ (34,975) |
| Charges to Appropriations (Outflows): | | | | |
| Roads and public works | \$ 1,859,224 | \$ 1,868,834 | \$ 1,572,769 | \$ 296,065 |
| Debt service | | | 37,188 | (37,188) |
| Other financing uses | | | 2 | (2) |
| Total Charges to Appropriations | 1,859,224 | 1,868,834 | 1,609,959 | 258,875 |
| Ending Budgetary Fund Balance | \$ 1,027,542 | \$ 1,018,193 | \$ 1,242,093 | \$ 223,900 |

MISSISSIPPI COUNTY, ARKANSAS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS (Unaudited)
 COUNTY JAIL SALES TAX
 FOR THE YEAR ENDED DECEMBER 31, 2003

MISSISSIPPI COUNTY, ARKANSAS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS (Unaudited)
 ECONOMIC DEVELOPMENT
 FOR THE YEAR ENDED DECEMBER 31, 2003

Schedule 1

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|-----------------------|---------------------|--|
| | Original | Final | | |
| Beginning Budgetary Fund Balance: | | \$ 893,068 | \$ 893,068 | \$ 0 |
| Resources (Inflows): | | | | |
| Sales taxes | | 627,737 | 1,152,343 | 524,606 |
| Interest | | | 9,393 | 9,393 |
| Other financing sources | | | 319,153 | 319,153 |
| Amounts available for appropriation | <u>\$ 0</u> | <u>\$ 1,520,805</u> | <u>\$ 2,373,957</u> | <u>\$ 853,152</u> |
| Charges to Appropriations (Outflows): | | | | |
| Public safety | | \$ 2,651,262 | \$ 1,283,953 | \$ 1,367,309 |
| Other financing uses | | | 972,144 | (972,144) |
| Total Charges to Appropriations | | <u>2,651,262</u> | <u>2,256,097</u> | <u>395,165</u> |
| Ending Budgetary Fund Balance | <u>\$ 0</u> | <u>\$ (1,130,457)</u> | <u>\$ 117,860</u> | <u>\$ 1,248,317</u> |

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Beginning Budgetary Fund Balance: | | | | |
| Resources (Inflows): | | | | |
| Sales taxes | | \$ 800,000 | \$ 758,130 | \$ (41,870) |
| Interest | | | 686.00 | 686 |
| Amounts available for appropriation | <u>\$ 0</u> | <u>\$ 800,000</u> | <u>\$ 758,816</u> | <u>\$ (41,184)</u> |
| Charges to Appropriations (Outflows): | | | | |
| General government | | \$ 800,000 | \$ 186,222 | \$ 613,778 |
| Other financing uses | | | 2,745.00 | (2,745) |
| Total Charges to Appropriations | | <u>800,000</u> | <u>188,967</u> | <u>611,033</u> |
| Ending Budgetary Fund Balance | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 569,849</u> | <u>\$ 569,849</u> |

MISSISSIPPI COUNTY, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULE
DECEMBER 31, 2003

Budget Law

State law requires that these procedures be followed in establishing budgetary data:

- a. Prior to the end of each fiscal year, the Quorum Court makes appropriations, by ordinance, for the disbursements of county government (General and Special Revenue Funds) for the following year.
- b. The Quorum Court may make appropriation amendments at any time during the current fiscal year.
- c. Appropriations lapse at the end of each year.
- d. Under certain conditions, the budget may be amended subsequent to the year-end.

Basis of Accounting

The County prepared an annual budget on the modified cash basis for the General Fund and all the Special Revenue Funds. Formal budgetary policies are not employed for the Fiduciary Fund Types.

MISSISSIPPI COUNTY, ARKANSAS
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Unaudited)

Schedule 2

| | <u>December 31, 2003</u> |
|-----------------------------|------------------------------|
| <u>General Fixed Assets</u> | |
| Land | \$ 933,700 |
| Buildings | 15,854,159 |
| Equipment | <u>4,773,482</u> |
| Total | <u>\$ 21,561,341</u> |