

Mississippi County, Arkansas

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

December 31, 2002

LEGISLATIVE JOINT AUDITING COMMITTEE



MISSISSIPPI COUNTY, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2002

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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. David Evans
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Mississippi County, Arkansas, as of and for the year ended December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

The financial statements referred to above do not include the financial information for the Mississippi County Library System (component unit), the General Fixed Assets account group and do not disclose certain required information concerning deposits and investments which should be included in order to conform with the basis of accounting described in Note 1(C). Because of this departure identified above, the Mississippi County Library System (component unit) assets, liabilities, revenues and expenditures would have increased by \$481,718, \$18,715, \$684,689 and \$683,477, respectively. The effects of the omitted required financial information concerning compensated absences and the General Fixed Assets account group were not determined.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1(C), the assets and liabilities arising from modified cash transactions of Mississippi County, Arkansas, as of December 31, 2002, or the revenues and expenditures for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2003 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in blue ink, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
July 28, 2003
LOCO04702

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Lavery
Senate Co-Vice Chair
Rep. David Evans
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

REPORT ON COMPLIANCE, INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MANAGEMENT ISSUES

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

We have audited the financial statements of Mississippi County, Arkansas, as of and for the year ended December 31, 2002 and have issued our report thereon dated July 28, 2003. In our report, our opinion was adverse because of the effects on the financial statements of not including all financial information of the reporting entity in the financial statements. Also, the required disclosures were not made concerning deposits and investments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of the state constitution, laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

The County had inadequate control over cash transactions because of insufficient segregation of duties.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above relating to inadequate segregation of duties to be a material weakness.

Other Management Issues

The commentary contained in this section relates to the following officials that held office during 2002:

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

Our audit procedures indicated that the offices of **Sheriff, County Clerk and Circuit Clerk** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and inadequate internal control procedures were noted in the offices of **County Judge, Treasurer and Tax Collector** and are cited below:

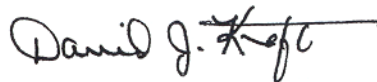
The County's fixed asset listing maintained by the **County Judge's** office again was incomplete and inaccurate. This list is required for accurate financial reporting and proper safeguarding of assets.

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

The **Tax Collector** again did not make 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 June 3, 2003, which prevented financial information and funds from being available to the County and other taxing entities for budget planning and payment of current expenditures.

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
July 28, 2003

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUP - MODIFIED CASH BASIS
 DECEMBER 31, 2002

Exhibit A

	Governmental Fund Types		Fiduciary Fund Type	Account Group	Totals (Memorandum Only)
	General	Special Revenue	Agency	General Long- Term Debt	December 31, 2002
ASSETS AND OTHER DEBITS					
Cash and cash equivalents	\$ 1,127,449	\$ 2,832,554	\$ 8,176,980		\$ 12,136,983
Investments (Certificates of deposit)			29,489		29,489
Interfund receivables	256,446	3,528			259,974
Restricted assets:					
Investments (Certificates of deposit)	229,055				229,055
Amount available for landfill closure and postclosure care costs				\$ 229,055	229,055
Amount to be provided for retirement of general long-term debt				1,417,762	1,417,762
	<u>\$ 1,612,950</u>	<u>\$ 2,836,082</u>	<u>\$ 8,206,469</u>	<u>\$ 1,646,817</u>	<u>\$ 14,302,318</u>
TOTAL ASSETS AND OTHER DEBITS					
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 11,887				\$ 11,887
Settlement pending			\$ 1,103,734		1,103,734
Due to other agencies			7,102,735		7,102,735
Interfund payables	3,528	\$ 256,446			259,974
Lease-purchase agreements payable				\$ 7,510	7,510
Notes payable				549,447	549,447
Estimated liability for landfill closure and postclosure care cost				1,089,860	1,089,860
Total Liabilities	<u>15,415</u>	<u>256,446</u>	<u>8,206,469</u>	<u>1,646,817</u>	<u>10,125,147</u>
Fund Equity:					
Fund balances:					
Reserved:					
Landfill closure and postclosure care costs	229,055				229,055
Unreserved:					
Undesignated	1,368,480	2,579,636			3,948,116
Total Fund Equity	<u>1,597,535</u>	<u>2,579,636</u>			<u>4,177,171</u>
	<u>\$ 1,612,950</u>	<u>\$ 2,836,082</u>	<u>\$ 8,206,469</u>	<u>\$ 1,646,817</u>	<u>\$ 14,302,318</u>
TOTAL LIABILITIES AND FUND EQUITY					

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

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2002

Exhibit B

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only) Primary Government Year Ended December 31, 2002</u>
REVENUES				
Intergovernmental revenues - state	\$ 602,561	\$ 1,755,790		\$ 2,358,351
Intergovernmental revenues - federal		270,023		270,023
Property taxes	730,536	524,210		1,254,746
Sales taxes	1,609,229	1,223,943		2,833,172
Fines, forfeitures and costs	624,296			624,296
Investment income	40,227	58,603		98,830
Officers' fees	257,485	301,168		558,653
Landfill fees	1,726,841			1,726,841
Emergency 911 fees		286,851		286,851
Jail fees	378,023			378,023
Treasurer's commission	118,135	36,920		155,055
Collector's commission	500,032	52,914		552,946
Taxes apportioned - Assessor's salary and expense	663,195			663,195
Other	259,321	35,926		295,247
	<u>7,509,881</u>	<u>4,546,348</u>		<u>12,056,229</u>
TOTAL REVENUES				
Less: Treasurer's commission	82,837	19,358		102,195
	<u>7,427,044</u>	<u>4,526,990</u>		<u>11,954,034</u>
NET REVENUES				
EXPENDITURES				
Current:				
General government	2,912,427			2,912,427
Law enforcement	4,756,735			4,756,735
Highways and streets		1,868,434		1,868,434
Public safety	240,849			240,849
Sanitation	1,438,265			1,438,265
Health	85,529			85,529
Social services	505,795	80,207		586,002
Total Current	<u>9,939,600</u>	<u>1,948,641</u>		<u>11,888,241</u>

MISSISSIPPI COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2002

Exhibit B

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only) Primary Government Year Ended December 31, 2002</u>
EXPENDITURES (Continued)				
Debt service:				
Bond principal			\$ 13,000	\$ 13,000
Bond interest and fiscal charges			650	650
Principal reduction on capital lease		\$ 28,242		28,242
Interest imputed on capital lease		2,304		2,304
Principal on notes payable	\$ 198,018			198,018
Interest on notes payable	28,121			28,121
TOTAL EXPENDITURES	10,165,739	1,979,187	13,650	12,158,576
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,738,695)	2,547,803	(13,650)	(204,542)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,385,858	567,781		2,953,639
Transfers out	(154,551)	(2,799,088)		(2,953,639)
Note proceeds	230,000	53,500		283,500
TOTAL OTHER FINANCING SOURCES (USES)	2,461,307	(2,177,807)		283,500
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(277,388)	369,996	(13,650)	78,958
FUND BALANCES - JANUARY 1	1,874,923	2,209,640	13,650	4,098,213
FUND BALANCES - DECEMBER 31	\$ 1,597,535	\$ 2,579,636	\$ 0	\$ 4,177,171

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

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

Discretely presented component unit

County Library Board – The County Library Board was established by the Mississippi County Quorum Court in accordance with Ark. Code Ann, 14-14-701 and 14-14-712. Control by or dependence on the County was determined by the appointment and confirmation of the board of directors and by approval of the budget by the Quorum Court. Complete financial statements of the component unit can be obtained from the Mississippi County Library, 200 N. 5th Street, Blytheville, Arkansas 72315.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The following types of funds and account groups are recognized in the accompanying financial statements.

Governmental Funds

General Fund - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Fiduciary Funds

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

Account Group

General Long-Term Debt - This group of accounts is established to account for all long-term debt of the entity.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. All funds are accounted for using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Their revenues are recognized when collected rather than when earned. Expenditures are generally recognized when the related fund liability is incurred. An exception to the general rule is principal and interest on general long-term debt which is recognized when due. General Fixed Assets and General Long-Term Debt are included as account groups.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Property Taxes

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

E. Investments

Certificates of deposit are reported at cost.

F. Fund Equity

Fund Balance -

1. Reserved Fund Balance indicates that portion of fund equity which has been legally segregated for specific purposes.
2. Undesignated Fund Balance indicates that portion of fund equity which is available for budgeting in future periods.

G. Budgetary Controls

1. Legal Requirements

State law requires that the Quorum Court, before the end of each fiscal year, make appropriations, by ordinance, for the expenses of county government (General and Special Revenue Funds) for the following year. The Quorum Court may make appropriation amendments at any time during the current fiscal year. Appropriations lapse at the end of each year. Under certain conditions, the budget may be amended subsequent to the year-end.

2. Accounting

The County prepared an annual budget on the modified cash basis for the General Fund and all the Special Revenue Funds except for the Rural Community Grant, COPPS Grant, Sheriff's Commissary, Emergency Medical, Transitional Employment Assistance Coalition, Treasurer's Automation, Court Automation, Collector's Automation, County Clerk's Automation, Bulletproof Vest Partnership Grant, and West Nile Virus Grant. Formal budgetary policies are not employed for the Fiduciary Fund Types and the Debt Service Fund.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Budgetary Controls (Continued)

2. Accounting (Continued)

The following table reflects budget versus actual comparisons by fund for the year ended December 31, 2002:

Fund	Budgeted Revenues	Actual Revenues	Excess	Appropriations	Actual Expenditures	Excess
County General	\$ 7,608,124	\$ 7,509,881	\$ (98,243)	\$ 10,663,425	\$ 10,165,739	\$ 497,686
Special Revenue:						
County Road	1,920,528	1,851,206	(69,322)	2,575,122	1,898,980	676,142
County Recorders Cost	90,000	178,441	88,441			
County Jail	1,250,000	1,244,246	(5,754)			
Boating Safety	3,600	4,669	1,069			
Rural Community Grant		3,590	3,590			
COPPS Grant		2	2			
Sheriff's Facility and Equipment	60,000	92,186	32,186			
Child Support Collection Costs	23,000	6,331	(16,669)			
County Juvenile	15,381	9,813	(5,568)			
Sheriff's Special Block Grant	41,372	17,879	(23,493)			
Sheriff's Commissary		14,376	14,376			
Sheriff's Firing Range	3,800	5,591	1,791			
Sheriff's Helicopter	88,217	1,601	(86,616)			
Emergency Medical		2	2			
Senior Citizens	633,084	302,272	(330,812)			
Emergency 911	216,000	291,698	75,698			
Drug Task Force	48,273	8,373	(39,900)			
Economic Development						
Administration	329	3	(326)			
Transitional Employment						
Assistance Coalition		15,591	15,591		80,207	(80,207)
Treasurer's Automation		39,216	39,216			
Court Automation		6,700	6,700			
Collector's Automation		53,178	53,178			
County Clerk's Automation		11,035	11,035			
Maverick Road	412,901	372,320	(40,581)			
Juvenile Detention	9,378	76	(9,302)			
Bulletproof Vest Partnership Grant		1,361	1,361			

H. Cash Equivalents

Cash equivalents are considered to be all highly liquid investments (including restricted assets) with a maturity of three (3) months or less when purchased.

NOTE 2: Memorandum Totals

Combined financial statements of fund types and account groups have a "total" column that aggregates the columnar statements by fund type and account group. The total column is captioned "Memorandum Only" because the total column on a combined financial statement is not comparable to a consolidation.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 3: Public Fund Deposits and Investments

The accompanying notes to the financial statements do not include the following credit risk information required by Governmental Accounting Standards Board Statement No. 3 pertaining to the carrying amount of total deposits and investments:

A. Information disclosing whether deposits are:

- (1) Insured or collateralized with securities held by the entity or its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name;
- (3) Uncollateralized.

B. Information disclosing whether investments are:

- (1) Insured or registered, or securities held by the entity or its agent in the entity's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name;
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

Information concerning the extent of insurance coverage was not compiled by the entity nor readily available from their records.

NOTE 4: Legal or Contractual Provisions for Deposits and Investments

State law generally requires that County funds be deposited in federally insured banks located in the State of Arkansas. The County deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations the principal and interest on which are fully guaranteed by the United States of America.

NOTE 5: Fund Presentation

The General Fund heading as it appears in the financial statements includes the following accounts: County General, Treasurer's Commission and Landfill.

The Special Revenue Fund heading as it appears in the financial statements includes the following funds: County Road, County Recorders Cost, County Jail, Boating Safety, Rural Community Grant, COPPS Grant, Sheriff's Facility and Equipment, Child Support Collection Cost, County Juvenile, Sheriff's Special Block Grant, Sheriff's Commissary, Sheriff's Helicopter, Sheriff's Firing Range, Emergency Medical, Senior Citizens, Emergency 911, Drug Task Force, Economic Development Administration, Transitional Employment Assistance Coalition, Court Automation, Collector's Automation, County Clerk's Automation, Maverick Road, Juvenile Detention, West Nile Virus Grant, Bulletproof Vest Partnership Grant and Treasurer's Automation.

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2002	
	Interfund Receivables	Interfund Payables
General Fund	\$ 256,446	\$ 3,528
Special Revenue Funds:		
Sheriff's Facility and Equipment		22,263
Emergency 911		7,261
Juvenile Detention		1,973
County Recorder's Cost		8,858
Treasurer' Automation		1,884
Boating Safety	1,904	
Emergency Medical	1,624	
Senior Citizens		102,786
Collector's Automation		13,784
County Jail		97,637
Totals	\$ 259,974	\$ 259,974

NOTE 7: Compensated Absences

Compensated absences do not vest or accumulate.

NOTE 8: General Long-Term Debt

General long-term debt at December 31, 2002 is comprised of the following:

	December 31, 2002
Lease-purchase agreement entered on April 24, 1998 with Caterpillar Financial Services Corporation on the purchase of one (1) used Caterpillar motor grader, monthly installments of \$2,546 for sixty (60) months. Payments are made from the Road Fund.	\$ 7,510
Estimated liability for landfill closure and postclosure care costs.	1,089,860
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.	144,187
Note payable entered on June 6, 2001, with First National Bank, Blytheville, Arkansas. Thirty five monthly installments of \$3,703 and a final payment of \$3,935 starting on July 15, 2001 through June 15, 2004. Interest at 5.75 percent. Payments are made from the General Fund.	57,323
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.	94,908

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 8: General Long-Term Debt (Continued)

	December 31, 2002
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.	\$ 199,504
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.	53,525
Total Debt	\$ 1,646,817

NOTE 9: Changes in General Long-Term Debt

The following is a summary of transactions of the County for the year ended December 31, 2002:

	2002
General Long-Term Debt at January 1	\$ 1,437,510
Additions:	
Changes in estimate for closure and postclosure care costs	165,042
Notes payable	283,525
Deletions:	
Bonds retired	13,000
Lease payments	28,242
Note payments	198,018
General Long-Term Debt at December 31	\$ 1,646,817

NOTE 10: Debt Service Requirements to Maturity – Notes Payable

Annual requirements to amortize outstanding note payable are as follows:

Years Ending December 31,	Principal	Interest	Total
2003	\$ 265,749	\$ 24,293	\$ 290,042
2004	218,933	10,670	229,603
2005	64,765	1,533	66,298
Totals	\$ 549,447	\$ 36,496	\$ 585,943

MISSISSIPPI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 11: Capital Leases

The County has leased certain equipment which under the Financial Accounting Standards Board Statement No. 13 (FASB 13) are treated as capital leases. These leases by category are as follows:

<u>Class of Property</u>	<u>Asset Balance December 31, 2002</u>
Road equipment	\$ 119,810

The following is a schedule by years of future lease payments still remaining as of December 31, 2002:

<u>Years Ending December 31,</u>	
2003	\$ 7,635
Less: Amount representing interest	125
Net Lease Payments	\$ 7,510

NOTE 12: Legal Debt Limit - Tax Secured Bond Issues

The County is subject to a constitutional limitation for bonded indebtedness equal to ten percent (10%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2002, the legal debt limit for the County was \$36,912,425. There were no property tax secured bond issues.

NOTE 13: Changes in Reserved Fund Balance - General Fund

The following changes occurred in the reserved fund balance of the general fund during the year ended December 31, 2002:

	<u>Balance January 1, 2002</u>	<u>Excess of Revenues Over Expenditures</u>	<u>Balance December 31, 2002</u>
Reserved fund balance -			
Landfill closure and postclosure care costs	\$ 217,950	\$ 11,105	\$ 229,055

NOTE 14: Commitments

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

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.

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NOTE 14: Commitments (Continued)

The County entered into two noncancellable lease agreements for two 140H Caterpillar Tractors on July 1, 2002. Terms of the lease 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 is obligated for the following amounts for the next three (3) years:

<u>Year</u>	<u>Amount</u>
2003	\$ 79,523
2004	76,589
2005	<u>26,599</u>
Total	<u>\$ 182,711</u>

Rental expense for 2002 was \$167,783.

NOTE 15: 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 16: 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.

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NOTE 16: Risk Management (Continued)

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 17: Closures 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 recognizes a portion of these closure and postclosure care costs each year based on the landfills capacity used as of each balance sheet date. The estimated liability for landfill closure and postclosure care costs has a balance of \$1,089,860 as of December 31, 2002, which is based on 87 percent use of the class one (1) landfill and 64 percent use of the class four (4) landfill capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$185,155 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2002. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Quorum Court intends to set aside \$50,000 for closure and postclosure care costs each year. To date \$29,055 in interest has been added to the \$200,000 that has been set aside by the County for a total reserved fund balance of \$229,055.

NOTE 18: 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.

NOTE 19: 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, 2002, 2001 and 2000 were \$419,408, \$317,354 and \$264,167, respectively, equal to the required contributions for each year.