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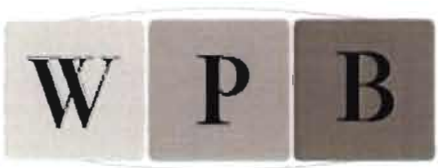
TUNICA COUNTY, MISSISSIPPI
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012



WILLIAMS · PILES · BEARD PLLC
CERTIFIED PUBLIC ACCOUNTANTS

TUNICA COUNTY, MISSISSIPPI

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Tunica County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Tunica County, Mississippi, ("the County") as of and for the year ended September 30, 2012, 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 did not audit the financial statements of Tunica County Airport Commission, Tunica County Public Projects, Inc., Tunica County Tourism Commission, and Tunica County Utility District, component units, which represent 95.63 percent, 95.01 percent, and 93.73 percent, respectively, of the assets, net assets, and revenues of the component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as they relate to the amounts included for the aforementioned component units is based on the reports of the other auditors.

Except as discussed in the following paragraph, 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. The financial statements of Tunica County Public Projects, Inc. and Tunica County Tourism Commission were not audited in accordance with *Government Auditing Standards*. 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 and the reports of other auditors provide a reasonable basis for our opinions.

The financial statements of Tunica County Arena and Exposition Center and the Tunica County Museum, Inc., have not been audited, and we were not engaged to audit the Tunica County Arena and Exposition Center or the Tunica County Museum, Inc. financial statements as part of our audit of the County's basic financial statements. The Tunica County Arena and Exposition Center and the Tunica County Museum, Inc. financial activities are included in the County's basic financial statements as discretely presented component units and represent 4.06 percent, 4.99 percent, and 6.27 percent of the assets, net assets and revenues, respectively, of the County's aggregate discretely presented component units.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Tunica County Arena and Exposition Center or the Tunica County Museum, Inc. financial statements been audited, the financial statements referred to previously present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the County as of September 30, 2012, and the changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the County, as of September 30, 2012, and the respective changes in financial position, and, where

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applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
June 25, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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TUNICA COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2012

The discussion and analysis of Tunica County's financial performance provides an overall narrative review of Tunica County's financial activities for the year ended September 30, 2012. The intent of this discussion and analysis is to look at Tunica County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of Tunica County's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this county's financial statements, notes to financial statements, and any accompanying materials. To the extent this discussion contains any forward-looking statements of the county's plans, objectives, expectations, and prospects; the actual results could differ materially from those discussed herein.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Financial Highlights

- Total net assets decreased ($17,356,308) which represents an 11.4% decrease from fiscal year 2011.
- General revenues account for $22,571,043 in revenue, or 84% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,448,338 or 16% of total revenues.
- The County had $44,375,689 in expenses; only $4,448,338 of these expenses was offset by program specific charges for services, grants and contributions.
- Among major funds, the General Fund had $29,239,939 in revenues and $34,160,667 in expenditures. The General Fund's fund balance increased $1,317,397 from the prior year due to the receipt of loan proceeds.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities. The statement of net assets presents information on all the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the County that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, public safety, public works, health and welfare, culture and recreation, education, conservation of natural resources, economic development and assistance and interest on long-term debt.

The government-wide financial statements can be found on page 7-8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the county's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 10 and 12, respectively.

The County maintains individual governmental funds in accordance with the Mississippi County Financial Accounting Manual. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds. The basic governmental fund financial statements can be found on pages 9-12 of this report.

Proprietary fund. The proprietary fund is maintained in two ways. The Internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. The county uses an internal service fund to account for its self-funded health insurance plan for county employees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fund financial statements for the proprietary fund provide the same type of information as the government-wide financial statements, only in more detail. The self-funded health insurance fund is considered to be a major fund of the County. The proprietary fund financial statements can be found on pages 13-15.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The county is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets on pages 16-17.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-38 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund (if applicable). This required supplementary information can be found on pages 39-43 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by $134,323,646 as of September 30, 2012.

By far the largest portion of the County's net assets (92%) reflects its investments in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and construction in progress) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its citizens and to tourists visiting the county; consequently these assets are not available for future spending.

The County's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets at September 30, 2012:

	2012	2011
Current assets	$ 44,975,240	$ 19,400,339
Capital assets, net	159,677,453	195,071,678
Total assets	204,652,693	214,472,017
Current liabilities	10,091,072	7,754,309
Long-term debt outstanding	60,237,975	55,037,754
Total liabilities	70,329,047	62,792,063
Net assets:		
Invested in capital assets, net	124,232,496	141,594,172
Restricted	1,561,794	2,145,716
Unrestricted	8,529,356	7,940,066
Total net assets	$134,323,646	$151,679,954

Changes in net assets. The County's total revenues for the fiscal year ended September 30, 2012 were $27,019,381. The total cost of all programs and services was $44,375,689. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2012.

Revenues:	2012	2011
Program revenues		
Charges for services	$ 2,457,613	$ 2,649,593
Federal and state grants	1,990,725	8,775,443
General revenues		
Property taxes	3,216,373	3,286,397
Road and bridge privilege taxes	114,634	126,971
Rental Income	623,249	711,737
Grants and contributions not restricted to specific programs	26,114,990	26,298,048
Unrestricted investment income	234,400	93,993
Miscellaneous	2,034,247	601,296
Special item	(9,766,850)	
Total revenues	27,019,381	42,543,478
Expenses:		
General Government	9,952,847	7,884,346
Public Safety	11,084,253	10,495,372
Public Works	9,715,348	10,082,946
Health & Welfare	2,955,701	2,495,817
Culture & Recreation	7,736,786	7,438,486
Education	86,013	107,516
Conservation of Natural Resources	403,431	428,237
Economic Development	790,260	5,393,683
Interest on Long-term debt	1,651,050	1,508,293
Total expenses	44,375,689	45,834,696
Increase (decrease) in net assets	$ (17,356,308)	$ (3,291,218)

Governmental activities. The following table presents the cost of nine major County functional activities: general government, public safety, public works, health and welfare, culture and recreation, education, conservation of natural resources, economic development and assistance, and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and County's taxpayers by each of these functions.

	2012 Total Expenses	2012 Net (Expense) Revenue	2011 Total Expenses	2011 Net (Expense) Revenue
General government	$ 9,952,847	$ (7,626,384)	$ 7,884,346	$ (5,555,232)
Public safety	11,084,253	(9,409,673)	10,495,372	(7,442,019)
Public works	9,715,348	(9,614,011)	10,082,946	(10,082,946)
Health and welfare	2,955,701	(2,955,701)	2,495,817	(2,495,817)
Culture and recreation	7,736,786	(7,736,786)	7,438,486	(7,438,486)
Education	86,013	(86,013)	107,516	(107,516)
Conservation of natural resources	403,431	(403,431)	428,237	(428,237)
Economic development and assistance	790,260	(444,302)	5,393,683	648,886
Interest on long-term debt	1,651,050	(1,651,050)	1,508,293	(1,508,293)
Total expenses	$44,375,689	$(39,927,351)	$45,834,696	$(34,409,660)

Net cost of governmental activities $(39,927,351) was financed by general revenue, which is made up of primarily property taxes $(3,216,373) and state and federal revenue and gaming revenue $(26,114,990) and also financed by beginning fund balance.

- Investment earnings accounted for $58,329 of funding.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the year, its governmental funds reported a combined fund balance of $9,795,021, an increase of $930,868. $3,669,712 or 37% of the fund balance constitutes unassigned fund balance, which is available for spending at the County's discretion.

The General Fund is the principal operating fund of the County. The increase in fund balance in the General Fund for the fiscal year was $1,317,397 a result of an increase in other financing resources.

BUDGETARY HIGHLIGHTS

Over the course of the year, the County revised the annual operating budgets. Budgeted revenues were decreased due to the decrease in gaming revenues which were affected by the decline in economy. There were amendments to expenditures due to the reduction in revenues. Management made a decision early in the fiscal year to reduce spending due to the anticipated revenue shortfall.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds (if applicable) is provided in this report as required supplementary information on pages 38-41.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of September 30, 2012, the County's total net capital assets were $159,677,453, including county buildings, improvements other than buildings, other county vehicles, furniture, and equipment.

This amount represents a decrease of $35,394,225. Total accumulated depreciation as of September 30, 2012 was $103,584,145 and total depreciation expense for the year was $6,908,097.

Additional information on the County's capital assets can be found in Note 5 of this report.

Debt Administration. At September 30, 2012, the County had $60,237,975 in long-term debt outstanding, of which $3,335,587 is due within one year.

The County maintains an **A-/Stable** bond rating.

Additional information of the County's long-term debt can be found in Note 9 of this report.

CURRENT ISSUES

Tunica County, Mississippi is financially stable. The County is proud of its community support of the public.

The County has committed itself to financial excellence for many years. The millage has not increased in 9 years. In addition, the County system of financial planning, budgeting, and internal financial controls are well regarded. The County plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

If you have questions about this report, contact:

Tunica County Board of Supervisors
P.O. Box 639
Tunica, MS 38676

FINANCIAL STATEMENTS

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TUNICA COUNTY, MISSISSIPPI
Statement of Net Assets
September 30, 2012

Exhibit 1

	Governmental Activities	Component Units
ASSETS		
Cash	$ 7,303,584	$ 3,206,107
Cash with fiscal agent	1,646,339	-
Property tax receivable	2,995,755	-
Accounts receivable (net of allowance for uncollectibles of $319,795)	152,273	-
Fines receivable (net of allowance for uncollectibles of $1,504,963)	2,074,451	-
Intergovernmental receivables	5,127,919	750,441
Capital lease note receivable	22,880,658	-
Other receivables	1,243,507	870,007
Inventories and prepaid items	203,393	577,206
Deferred charges - debt issuance costs	1,347,361	300,225
Restricted assets	-	2,694,944
Capital assets:		
Land and construction in progress	7,831,628	-
Other capital assets, net	151,845,825	78,085,197
Total Assets	204,652,693	86,484,127
LIABILITIES		
Claims payable	4,926,056	1,630,019
Intergovernmental payables	519,489	-
Accrued interest payable	365,133	-
Unearned revenue	4,032,731	249,688
Other payables	247,663	398,606
Long-term liabilities		
Due within one year:		
Capital debt	3,335,587	1,527,684
Due in more than one year:		
Capital debt	56,337,389	13,286,496
Non-capital debt	564,999	-
Total Liabilities	70,329,047	17,092,493
NET ASSETS		
Invested in capital assets, net of related debt	124,232,496	62,697,134
Restricted:		
Expendable:		
Debt Service	1,281,206	-
Unemployment compensation	64,055	-
Other purposes	216,533	3,208,491
Unrestricted	8,529,356	3,486,009
Total Net Assets	$ 134,323,646	$ 69,391,634

The notes to the financial statements are an integral part of this statement.

TUNICA COUNTY, MISSISSIPPI **Exhibit 2**

Statement of Activities

For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets: Governmental Activities	Net Revenue (Expense) and Changes in Net Assets: Component Units
Primary government:						
Governmental activities:						
General government	$ 9,952,847	$ 2,162,251	$ 164,212	$ -	$ (7,626,384)	$ -
Public safety	11,084,253	295,362	386,440	992,778	(9,409,673)	-
Public works	9,715,348	-	-	101,337	(9,614,011)	-
Health and welfare	2,955,701	-	-	-	(2,955,701)	-
Culture and recreation	7,736,786	-	-	-	(7,736,786)	-
Education	86,013	-	-	-	(86,013)	-
Conservation of natural resources	403,431	-	-	-	(403,431)	-
Economic development and assistance	790,260	-	-	345,958	(444,302)	-
Interest on long-term debt	1,651,050	-	-	-	(1,651,050)	-
Total Governmental Activities	$ 44,375,689	$ 2,457,613	$ 550,652	$ 1,440,073	$ (39,927,351)	$ -
Component units:						
Museum	$ 404,256	$ -	$ -	$ -	$ -	$ (404,256)
Airport Commission	4,215,572	1,351,801	849,366	-	-	(2,014,405)
Utility District	6,552,420	2,964,254	-	-	-	(3,588,166)
Arena and Expo Center	617,860	615,810	-	-	-	(2,050)
Public Projects	2,299,848	1,165,011	-	-	-	(1,134,837)
Tourism Commission	2,956,316	607,157	694,211	-	-	(1,654,948)
Total Component Units	$ 17,046,272	$ 6,704,033	$ 1,543,577	$ -	$ -	$ (8,798,662)
General revenues:						
Property taxes					3,216,373	3,666,057
Gaming revenue					24,958,209	-
Road and bridge privilege taxes					114,634	-
Grants and contributions not restricted to specific programs					1,156,781	1,626,405
Unrestricted interest income					234,400	12,329
Rental income					623,249	-
Miscellaneous					2,034,247	1,253,888
Special item					(9,766,850)	-
Total General Revenues and Special Item					22,571,043	6,558,679
Changes in Net Assets					(17,356,308)	(2,239,983)
Net Assets - Beginning					151,679,954	71,631,617
Net Assets-Ending					$ 134,323,646	$ 69,391,634

The notes to the financial statements are an integral part of this statement.

TUNICA COUNTY, MISSISSIPPI
Balance Sheet - Governmental Funds
September 30, 2012

Exhibit 3

	Major Funds				
	General Fund	Road Maintenance Fund	Pipe Plant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 1,767,217	$ 4,726,985	$ -	$ 167,171	$ 6,661,373
Cash with fiscal agent	1,646,339	-	-	-	1,646,339
Property tax receivable	2,162,831	-	-	832,924	2,995,755
Accounts receivable (net of allowance for uncollectibles of $319,795)	152,273	-	-	-	152,273
Fines receivable (net of allowance for uncollectibles of $1,504,963)	231,140	-	-	-	231,140
Intergovernmental receivables	4,483,147	178,482	347,694	118,596	5,127,919
Other receivables	1,243,507	-	-	-	1,243,507
Due from other funds	-	8,380	-	391	8,771
Total Assets	$ 11,686,454	$ 4,913,847	$ 347,694	$ 1,119,082	$ 18,067,077
LIABILITIES AND FUND BALANCES					
Claims payable	$ 1,173,360	$ 454,719	$ 2,646,454	$ 225,845	$ 4,500,378
Intergovernmental payables	464,487	36,256	-	18,746	519,489
Due to other funds	8,771	-	-	-	8,771
Unearned revenue	2,162,831	-	-	832,924	2,995,755
Other payables	234,908	12,755	-	-	247,663
Total Liabilities	4,044,357	503,730	2,646,454	1,077,515	8,272,056
Fund balances:					
Restricted for:					
Debt service	1,646,339	-	-	-	1,646,339
Unemployment compensation	-	-	-	64,055	64,055
Assigned to:					
Public safety	4,646	-	-	152	4,798
Public works	-	4,410,117	-	-	4,410,117
Unassigned	5,991,112	-	(2,298,760)	(22,640)	3,669,712
Total Fund Balances	7,642,097	4,410,117	(2,298,760)	41,567	9,795,021
Total Liabilities and Fund Balances	$ 11,686,454	$ 4,913,847	$ 347,694	$ 1,119,082	$ 18,067,077

The notes to the financial statements are an integral part of this statement.

TUNICA COUNTY, MISSISSIPPI **Exhibit 3-1**
Reconciliation of Governmental Funds Balance Sheet
To the Statement of Net Assets
September 30, 2012

	Amount
Total Fund Balance - Governmental Funds	$ 9,795,021
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of $103,584,145.	159,677,453
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	806,335
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(60,237,975)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	(365,133)
Items reported on the Statement of Net Assets but not on the Governmental Funds include:	
Capital lease note receivable	22,880,658
Debt issuance costs	1,347,361
Prepaid items	203,393
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	216,533
Total Net Assets - Governmental Activities	$ 134,323,646

The notes to the financial statements are an integral part of this statement.

TUNICA COUNTY, MISSISSIPPI **Exhibit 4**

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year ended September 30, 2012

	Major Funds				
	General Fund	Road Maintenance Fund	Pipe Plant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 2,271,331	$ 5,443	$ -	$ 939,599	$ 3,216,373
Gaming revenue	21,988,560	2,969,649	-	-	24,958,209
Road and bridge privilege taxes	-	114,634	-	-	114,634
Licenses, commissions and other revenue	2,031,476	-	-	7,685	2,039,161
Fines and forfeitures	323,182	-	-	-	323,182
Intergovernmental revenues	1,006,698	584,822	814,588	741,398	3,147,506
Charges for services	189,153	-	-	106,209	295,362
Interest income	37,326	21,003	-	-	58,329
Miscellaneous revenues	1,392,213	1,418	-	50,664	1,444,295
Total Revenues	29,239,939	3,696,969	814,588	1,845,555	35,597,051
EXPENDITURES					
Current:					
General government	9,103,926	-	-	35,613	9,139,539
Public safety	9,528,751	-	-	1,438,458	10,967,209
Public works	1,802,435	5,750,408	-	-	7,552,843
Health and welfare	2,854,012	-	-	-	2,854,012
Culture and recreation	6,079,845	-	-	-	6,079,845
Education	86,013	-	-	-	86,013
Conservation of natural resources	407,314	-	-	-	407,314
Economic development and assistance	850,421	-	1,661,567	544,180	3,056,168
Debt service:					
Principal	1,942,667	-	-	-	1,942,667
Interest	1,306,033	-	-	-	1,306,033
Bond issue costs	199,250	-	-	-	199,250
Total Expenditures	34,160,667	5,750,408	1,661,567	2,018,251	43,590,893
Excess of (deficiency) of Revenues over (under) Expenditures	(4,920,728)	(2,053,439)	(846,979)	(172,696)	(7,993,842)
OTHER FINANCING SOURCES (USES)					
Loan proceeds	4,879,292	-	2,000,000	-	6,879,292
Refunding bond proceeds	5,140,000	-	-	-	5,140,000
Payment to bond refunding escrow agent	(4,940,000)	-	-	-	(4,940,000)
Premium on bonds issued	52,472	-	-	-	52,472
Compensation for loss of capital assets	99,780	618	-	-	100,398
Rent proceeds	623,249	-	-	-	623,249
Sale of assets	383,332	685,967	-	-	1,069,299
Operating transfers in	244,034	-	-	-	244,034
Operating transfers out	(244,034)	-	-	-	(244,034)
Total Other Financing Sources (Uses)	6,238,125	686,585	2,000,000	-	8,924,710
Net Changes in Fund Balance	1,317,397	(1,366,854)	1,153,021	(172,696)	930,868
Fund Balances - Beginning	6,324,700	5,776,971	(3,451,781)	214,263	8,864,153
Fund Balances - Ending	$ 7,642,097	$ 4,410,117	$ (2,298,760)	$ 41,567	$ 9,795,021

The notes to the financial statements are an integral part of this statement.

TUNICA COUNTY, MISSISSIPPI **Exhibit 4-1**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

	Amount
Net Changes in Fund Balances - Governmental Funds (Exhibit 4)	$ 930,868
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of $(6,908,097) exceeded capital outlay of $5,607,522 in the current period less deleted construction of $(31,779,685).	(33,080,260)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss in the current period.	(2,313,965)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(200,092)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long -term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of $12,019,292 exceeded debt repayments of $6,882,667.	(5,136,625)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and revenue are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Bond issue costs	(38,905)
Bond premium amortization	(34,124)
Discount on bonds	(3,588)
Compensated absences	(25,884)
Prepaid expenses	(121,623)
Capital lease note receivable	22,880,658
An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities.	(212,768)
Change in Net Assets of Governmental Activities (Exhibit 2)	$ (17,356,308)

The notes to the financial statements are an integral part of this statement.

TUNICA COUNTY, MISSISSIPPI
Statement of Net Assets
Proprietary Fund
September 30, 2012

Exhibit 5

	Internal Service Fund
ASSETS	
Cash	$ 642,211
Total Current Assets	$ 642,211
LIABILITIES	
Claims and judgments liability	$ 425,678
Total Current Liabilities	$ 425,678
NET ASSETS	
Restricted for health insurance	$ 216,533
Total Net Assets	$ 216,533

The notes to the financial statements are an integral part of this statement.

TUNICA COUNTY, MISSISSIPPI **Exhibit 6**

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended September 30, 2012

	Internal Service Fund
OPERATING REVENUES	
Premiums	$ 2,688,602
Total Operating Revenues	2,688,602
OPERATING EXPENSES	
Claims payments	2,025,000
Insurance premiums	876,370
Total Operating Expenses	2,901,370
Operating Income (Loss)	(212,768)
Changes in Net Assets	(212,768)
Net Assets - Beginning	429,301
Net Assets -Ending	$ 216,533

The notes to the financial statements are an integral part of this statement.

TUNICA COUNTY, MISSISSIPPI
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2012

Exhibit 7

	Internal Service Fund
Cash Flows From Operating Activities	
Receipts for premiums	$ 2,688,602
Payments for claims	(2,025,000)
Payments for group insurance	(876,370)
Net Cash Used by Operating Activities	(212,768)
Net Increase (Decrease) in Cash and Cash Equivalents	(212,768)
Cash and Cash Equivalents at Beginning of Year	854,979
Cash and Cash Equivalents at End of Year	$ 642,211
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities	
Operating income (loss)	$ (212,768)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Change in assets and liabilities:	
Increase (decrease) in claims and judgments liability	-
Total adjustments	-
Net Cash Provided (Used) by Operating Activities	$ (212,768)

The notes to the financial statements are an integral part of this statement.

TUNICA COUNTY, MISSISSIPPI
Statement of Fiduciary Net Assets
September 30, 2012

Exhibit 8

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash	$ 30,310	$ 1,300,567
Intergovernmental receivables	-	-
Total Assets	$ 30,310	$ 1,300,567
LIABILITIES		
Amounts held in custody for others	$ -	$ 249,817
Intergovernmental payables	-	1,050,750
Total Liabilities	-	$ 1,300,567
NET ASSETS		
Held in trust for:		
Individuals, organizations, and other governments	30,310	
Total Net Assets	$ 30,310	

The notes to the financial statements are an integral part of this statement.

TUNICA COUNTY, MISSISSIPPI
Statement of Changes in Fiduciary Net Assets
For the Year Ended September 30, 2012

Exhibit 9

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Gifts, bequests, and endowments	$ -
Investment income:	
Interest income	-
Total Additions	-
DEDUCTIONS	
Administrative expense	-
Total Deductions	-
Change in net assets held in trust for: Individuals, organizations and other governments	-
Net Assets - Beginning	30,310
Net Assets - Ending	$ 30,310

The notes to the financial statements are an integral part of this statement.

TUNICA COUNTY, MISSISSIPPI **Exhibit 11**

Combining Statement of Net Assets - Component Units

For the Year Ended September 30, 2012

	Tunica County Airport Commission	Tunica County Arena and Expo Center	Tunica County Museum, Inc.	Tunica National Public Impr. District	Tunica County Public Projects, Inc.	Tunica County Tourism Commission	Tunica County Utility District	Total Component Units
ASSETS								
Current assets:								
Cash and investments	$ 232,682	$ 53,064	$ 935,734	$ -	$ 246,049	$ 1,540,358	$ 198,220	$ 3,206,107
Intergovernmental receivable	656,457	-	-	-	-	93,984	-	750,441
Other receivables	62,367	-	-	-	23,939	600,827	182,874	870,007
Debt issuance costs	-	-	-	-	-	-	300,225	300,225
Inventories and prepaid items	110,544	700	296,182	-	101,587	45,193	23,000	577,206
Restricted assets	7,838	-	-	269,680	-	-	2,417,426	2,694,944
Total Current Assets	1,069,888	53,764	1,231,916	269,680	371,575	2,280,362	3,121,745	8,398,930
Capital assets:								
Property, plant and equipment, net	41,520,268	-	2,223,651	-	280,828	748,743	33,311,707	78,085,197
Total Capital Assets	41,520,268	-	2,223,651	-	280,828	748,743	33,311,707	78,085,197
Total Assets	42,590,156	53,764	3,455,567	269,680	652,403	3,029,105	36,433,452	86,484,127
LIABILITIES								
Current Liabilities:								
Claims payable	662,483	40,450	4,380	-	188,498	252,838	481,370	1,630,019
Retainage payable	78,061	-	-	-	-	-	-	78,061
Deferred revenue	-	-	-	-	249,688	-	-	249,688
Other payables	35,404	-	-	-	-	-	15,461	50,865
Due to bond holders	-	-	-	269,680	-	-	-	269,680
Current portion long-term debt	-	-	-	-	67,177	-	1,460,507	1,527,684
Total Current Liabilities	775,948	40,450	4,380	269,680	505,363	252,838	1,957,338	3,805,997
Long-term debt, net of current portion	-	-	-	-	147,040	-	13,139,456	13,286,496
Total Liabilities	775,948	40,450	4,380	269,680	652,403	252,838	15,096,794	17,092,493
NET ASSETS								
Invested in capital assets, net of related debt	40,872,771	-	2,223,651	-	-	748,743	18,851,969	62,697,134
Restricted	631,065	-	160,000	-	-	-	2,417,426	3,208,491
Unrestricted	310,372	13,314	1,067,536	-	-	2,027,524	67,263	3,486,009
Total Net Assets	$ 41,814,208	13,314	3,451,187	-	-	2,776,267	21,336,658	$ 69,391,634

The notes to the financial statements are an integral part of this statement.

TUNICA COUNTY, MISSISSIPPI **Exhibit 12**

Combining Statement of Activities - Component Units

For the Year Ended September 30, 2012

	Tunica County Airport Commission	Tunica County Arena and Expo Center	Tunica County Museum, Inc.	Tunica National Public Impr. District	Tunica County Public Projects, Inc.	Tunica County Tourism Commission	Tunica County Utility District	Total Component Units
OPERATING REVENUES								
Taxes	$ -	$ -	$ -	$ -	$ -	$ 2,107,932	$ 1,558,125	$ 3,666,057
Intergovernmental revenues	849,366	-	-	-	-	694,211	-	1,543,577
Charges for services	1,351,801	615,810	-	-	1,165,011	607,157	2,964,254	6,704,033
Miscellaneous	173,183	-	304,145	-	713,960	62,600	-	1,253,888
Total Operating Revenues	2,374,350	615,810	304,145	-	1,878,971	3,471,900	4,522,379	13,167,555
OPERATING EXPENSES								
Contract services	-	-	-	-	1,365,688	518,822	4,994	1,889,504
Salaries	-	-	158,785	-	-	1,237,479	841,073	2,237,337
Payroll taxes	-	-	12,206	-	-	-	-	12,206
Other operating costs	-	-	-	-	420,420	-	1,719,452	2,139,872
Equipment leases	-	-	-	-	86,173	-	-	86,173
Rent expense	-	505,243	45,862	-	-	-	154,349	705,454
Advertising and promotion expense	-	-	-	-	-	1,163,041	-	1,163,041
Cost of sales	668,571	106,695	-	-	380,550	-	-	1,155,816
General and administrative	1,389,453	5,922	64,107	-	-	-	-	1,459,482
Depreciation	2,157,548	-	122,711	-	47,017	36,974	3,049,015	5,413,265
Interest expense	-	-	585	-	-	-	740,777	741,362
Bond issue cost amortization	-	-	-	-	-	-	42,760	42,760
Total Operating Expenses	4,215,572	617,860	404,256	-	2,299,848	2,956,316	6,552,420	17,046,272
Operating (loss)	(1,841,222)	(2,050)	(100,111)	-	(420,877)	515,584	(2,030,041)	(3,878,717)
NON-OPERATING REVENUE AND (EXPENSE)								
Interest income	272	308	8,353	-	-	2,990	406	12,329
Intergovernmental revenues	-	-	-	-	-	-	-	-
Allocation from Tunica County	618,505	-	-	-	420,877	-	587,023	1,626,405
Total Non-operating Revenue and Expense, Net	618,777	308	8,353	-	420,877	2,990	587,429	1,638,734
Transfers out to Tunica County	-	-	-	-	-	-	-	-
Change in net assets	(1,222,445)	(1,742)	(91,758)	-	-	518,574	(1,442,612)	(2,239,983)
Net Assets - Beginning of Year	43,036,653	15,056	3,542,945	-	-	2,257,693	22,779,270	71,631,617
Total Net Assets - End of Year	$ 41,814,208	$ 13,314	$ 3,451,187	$ -	$ -	$ 2,776,267	$ 21,336,658	$ 69,391,634

The notes to the financial statements are an integral part of this statement.

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Tunica County (the "County") is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Tunica County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor/ Collector
- Sheriff

B. Individual Component Unit Disclosures.

Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit balances and transactions are blended with the balances and transactions of the primary government:

Tunica County Healthcare Authority

Discretely Presented Component Units

The component unit's column in the financial statements include the financial data of the following component units of the County. They are reported in a separate column to emphasize that they are legally separate from the County. The majority of the members of the governing bodies of these component units are appointed by the County Board of Supervisors.

Tunica County, Mississippi reports the following discretely presented component units. Complete financial statements for these component units can be obtained through the Tunica County Board of Supervisors of Tunica, Mississippi.

- *Tunica County Airport Commission* was established in 1960 under Municipal Airport Law Section 61-5-1 and operates a general aviation airport in Tunica County, Mississippi. It is governed by five commissioners, four of whom are appointed by the Board of Supervisors of Tunica County and one appointed by the Town of Tunica. Funding is provided by Tunica County and significant federal grants.

- *Tunica County Arena and Exposition Center, Inc.* is a MS not-for-profit corporation funded by the county under House Bill 1621. Tunica County Arena and Exposition Center, Inc. is a Mississippi nonprofit corporation formed to operate Battle Arena.

- *Tunica County Museum, Inc.* is a non-profit corporation under IRC Section 501(c) 3 organized to preserve and enrich the cultural and historic awareness of the citizens and visitors to Tunica County. Tunica County has agreed to provide an amount equal to two mils for calendar years 2000-2007 and 1.5 mils for 2008-2012.

- *Tunica National Public Improvement District* was created in 2006 in accordance with Section 19-31-1, Miss. Code Ann. (1972). It operates under a four member board of directors appointed by the Board of Supervisors of Tunica County for the purpose of financing the construction of public works and infrastructure.

- *Tunica County Public Projects, Inc.* is a Mississippi nonprofit corporation formed to operate and lease the Tunica National Golf and Tennis Complex and to promote and support economic development and tourism in and for Tunica County Mississippi. Activities include the operation of the Golf and Tennis Complex and River Park Gift Shop. It is primarily funded by memberships, fees, and concession sales, with the County funding any shortfall authorized by House Bill 1621.

- *Tunica County Tourism Commission* is a body politic created pursuant to House Bill 1691 to promote conventions and tourism within Tunica County. It is governed by six commissioners, five of whom are appointed by the Board of Supervisors of Tunica County and one appointed by the Town of Tunica. The organization is funded by a three percent tourism tax imposed by Tunica County on the gross proceeds of certain sales by bars, restaurants, and room rentals by hotels.

- *Tunica County Utility District*, formerly Robinsonville-Commerce Utility District, is a body politic organized pursuant to the provisions of House Bill No. 1707. Its purpose is to provide water and sewer or fire protection to the district. House Bill 1870 authorized the district to levy ad valorem taxes for any bonds issued by the district.

C. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general

revenues of the County, with certain limited exceptions. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Proprietary Funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds, and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The County's Proprietary Funds apply all applicable Governmental Accounting Standards Board ("GASB") pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or non-operating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as non-operating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Road Maintenance Fund – This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Pipe Plant Fund – This fund is used to account for monies for the construction of a pipe plant.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPES

Internal Service Fund - This fund is used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The County's internal service fund reports on the County's self-insurance programs for employee medical benefits.

FIDUCIARY FUND TYPES

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

Private-purpose Trust Funds - These funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

F. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending or borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Inventories and Prepaid Items.

Inventories in component units are valued at cost, which approximates market, using the first-in/first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

J. Restricted Assets.

Proprietary Fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

K. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs have been estimated and the methods of estimation is not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated using the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all

purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	$ -	N/A
Infrastructure	-	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

L. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of non-current or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

M. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the county's intent to be used for a specific purpose but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the County Administrator and Comptroller pursuant to authorization established by the Board of Supervisors.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

N. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

O. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

P. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Deposits and Investments

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was $8,634,461, and the bank balance was $6,001,056. The collateral for a public entity's deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation ("FDIC").

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Road Maintenance Fund	General Fund	$ 8,380
North Tunica Fire Fund	General Fund	-
Other Governmental Funds	General Fund	391
Total		$ 8,771

These are for settlement of September tax receipts and for Pipe Plant Fund to borrow funds from the General Fund to finish the project. All interfund balances are expected to be repaid within one year.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
General	General	$ (244,034)
Total		$ (244,034)

The principal purpose of interfund transfers was to provide funds as budgeted to pay for operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012 consisted of the following:

Description	Amount
Gaming Revenue (September)	$ 1,498,911
Community Disaster Loan	3,000,000
Federal Grants	590,127
Ad Valorem Revenue (September)	38,881
Total Governmental Activities	$ 5,127,919

(5) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2012:

	Balance at Sept. 30, 2011	Additions	Deletions	Balance at Sept. 30, 2012
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 8,481,408	$ -	$ 1,915,400	$ 6,566,008
Construction in progress	30,832,471	2,212,834	31,779,685	1,265,620
Total non-depreciable capital assets	39,313,879	2,212,834	33,695,085	7,831,628
Depreciable capital assets:				
Infrastructure	127,298,025	1,924,343	-	129,222,368
Buildings and improvements	88,928,077	-	-	88,928,077
Improvements other than buildings	21,171,029	903,579	-	22,074,608
Mobile equipment	10,672,169	378,236	710,354	10,340,051
Furniture and equipment	4,451,443	188,530	13,652	4,626,321
Leased equipment	238,545	-	-	238,545
Total depreciable capital assets	252,759,288	3,394,688	724,006	255,429,970
Less accumulated depreciation for:				
Infrastructure	62,632,074	3,310,974	-	65,943,048
Buildings and improvements	17,258,743	1,774,465	-	19,033,208
Improvements other than buildings	6,345,493	878,192	-	7,223,685
Mobile equipment	7,183,622	694,395	318,612	7,559,405
Furniture and equipment	3,452,704	207,119	6,829	3,652,994
Leased equipment	128,853	42,952	-	171,805
Total accumulated depreciation	97,001,489	6,908,097	325,441	103,584,145
Total depreciable capital assets, net	155,757,799	(3,513,409)	398,565	151,845,825
Governmental activities capital assets, net	$ 195,071,678	$ (1,300,575)	$ 34,093,650	$ 159,677,453

The following is a summary of the discretely presented component units' capital assets activity for the year ended September 30, 2012:

	Balance at Sept. 30, 2011	Additions	Deletions	Balance at Sept. 30, 2012
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 3,954,840	$ -	$ -	$ 3,954,840
Construction in progress	3,512,574	965,908	-	4,478,482
Total non-depreciable capital assets	7,467,414	965,908	-	8,433,322
Depreciable capital assets:				
Infrastructure	68,363,384	-	-	68,363,384
Buildings and improvements	10,647,620	-	-	10,647,620
Improvements other than buildings	39,308,858	-	-	39,308,858
Mobile equipment	772,287	-	-	772,287
Furniture and equipment	4,496,590	236,295	-	4,732,885
Total depreciable capital assets	123,588,739	236,295	-	123,825,034
Less accumulated depreciation for:				
Infrastructure	32,621,768	4,595,054	-	37,216,822
Buildings and improvements	2,507,392	402,513	-	2,909,905
Improvements other than buildings	10,059,098	-	-	10,059,098
Mobile equipment	523,604	52,546	-	576,150
Furniture and equipment	3,048,031	363,153	-	3,411,184
Total accumulated depreciation	48,759,893	5,413,266	-	54,173,159
Total depreciable capital assets, net	74,828,846	(5,176,971)	-	69,651,875
Governmental activities capital assets, net	$ 82,296,260	$ (4,211,063)	$ -	$ 78,085,197

Depreciation expense was charged to the following functions for the year ended September 30, 2012:

Governmental Activities:	Amount
General government	$ 804,948
Public safety	410,056
Public works	3,898,640
Health and welfare	93,599
Culture and recreation	1,700,854
Total governmental activities depreciation expense	$ 6,908,097

Commitments with respect to unfinished capital projects consisted of the following as of September 30, 2012:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Canal Park Subdivision	$ 724,978	April 2013
Old Hwy 61 Improvements	610,163	April 2013
Total	$ 1,335,141	

(6) Claims and Judgments.

Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is $1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in July 2006 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the County established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. The Tunica County Board of Supervisors has extended coverage to the employees of the Tunica County Tourism Commission.

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each participating public entity, including the County, pays the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The County has minimum uninsured risk retention for all participating entities, including Tunica County, Mississippi, to the extent that actual claims submitted exceed the predetermined premiums. The County has implemented the following plans to minimize potential loss:

- The County has purchased coinsurance which functions on two separate stop-loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the coverage begins when an individual participant's claim exceeds $60,000, and the aggregate policy covers all submitted claims in excess of $2,150,836.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported ("IBNR"). At September 30, 2012, the amount of these liabilities was $425,678. An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2010-2011	$ 425,678	1,825,000	1,825,000	$ 425,678
2011-2012	$ 425,678	2,025,000	2,025,000	$ 425,678

(7) Operating Leases.

As Lessee:

The County has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were $6,000 for the year ended September 30, 2012. The future minimum lease payments for these leases are as follows:

Year Ended September 30	Amount
2013	$ 6,000
2014	6,000
2015	6,000
2016	6,000
2017	6,000
2018-2021	3,500
Total Minimum Payments Required	$ 33,500

(8) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 20, 2012:

Classes of Property	Amount
Leased equipment	$ 238,545
Less: Accumulated depreciation	(171,805)
Leased Property Under Capital Leases	$ 66,740

The following is a schedule by years of the total payments due as of September 30, 2012:

Year Ended September 30	Principal	Interest
2013	$ 53,340	$ 2,832
2014	13,723	150
Total	$ 67,063	$ 2,982

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2012:

Classes of Property	Amount
Buildings	22,880,658
Total	$ 22,880,658

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2012, are as follows:

Year Ended September 30	Principal	Interest
2013	$ 2,953,969	$ 171,906
2014	989,321	164,989
2015	996,448	157,862
2016	1,003,792	150,518
2017	1,011,359	142,951
2018-2022	5,178,610	592,941
2023-2027	5,405,457	366,094
2028-2032	5,341,702	105,596
Total	$ 22,880,658	$ 1,852,857

(9) Long-Term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Maturity Date
A. General Obligation Bonds:			
Mississippi Development Bank Special Obligation Bonds, Series 2004 (Tunica County, Mississippi Refunding Bond Project)	$ 6,800,000	variable	09/2023
First Security Bank General Obligation Airport Improvement Bonds Series 2005	1,865,000	3.60 - 5.125%	05/2025
Mississippi Development Bank Special Obligation Bonds, Series 2006 (Tunica County, Mississippi General Obligation Refunding Bond Project)	4,530,000	5.00 - 5.35%	07/2026
Mississippi Development Bank Special Obligation Bonds, Series 2010A (Tunica County, Mississippi General Obligation Industrial Development Bond Project)	3,400,000	2.60 - 6.25%	06/2030
Mississippi Development Bank Special Obligation Bonds, Series 2010B (Tunica County, Mississippi General Obligation Airport Bond Project)	1,500,000	3.00 - 4.50%	06/2030
Mississippi Development Bank Special Obligation Bonds, Series 2010 (Tunica County, Mississippi General Obligation Refunding Bond Project)	9,045,000	3.00 - 4.00%	12/2023
Mississippi Development Bank General Obligation Refunding Bonds, Series 2012	5,140,000	1.125 - 2.00%	09/2023
Total General Obligation Bonds	$ 32,280,000		
B. Other Loans:			
Capital projects promissory note	1,382,540	variable	05/2030
MS Green Tech Loan	1,879,291	3.4447%	01/2032
Community Disaster Loan	3,000,000	1.00%	undetermined
CAP Loan	5,789,855	variable	09/2026
MS major economic impact	15,100,000	0.00%	09/2032
Total Other Loans	$ 27,151,686		
C. Capital Leases:			
GPS Industries	$ 67,063	6.60%	12/2013

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

	General Obligation Bonds		Other Loans	
Year Ending September 30	Principal	Interest	Principal	Interest
2013	$ 2,150,000	$ 1,220,546	$ 1,132,247	$ 278,254
2014	2,280,000	1,142,359	1,141,465	260,577
2015	2,365,000	1,059,148	1,150,975	252,513
2016	2,455,000	979,545	1,160,782	238,098
2017	2,555,000	897,233	1,170,898	226,321
2018-2022	13,305,000	3,056,062	6,017,709	941,449
2023-2027	6,025,000	927,339	6,265,050	585,629
2028-2032	1,145,000	133,688	6,112,560	178,786
Total	$ 32,280,000	$ 9,415,920	24,151,686	$ 2,961,627
Add undetermined Community Disaster Loan term			3,000,000	
Total			$ 27,151,686	

Legal Debt Margin – The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2012, the amount of outstanding debt was equal to 13.40% of the latest property assessments.

Current Refunding - On March 6, 2012, the County issued $5,140,000 General Obligation Refunding Bonds, Series 2012 with a variable interest rate from 1.125% to 2.000% to refund a total of $4,993,145 related to the 2003 Promissory Note – Mississippi Recreational Facilities, with an outstanding amount refunded of $4,940,000 at. The County refunded the bonds to reduce its total debt service payments over the next 10 years by almost $442,845 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $440,417.

EMA Loan - The County entered into a loan agreement with the Federal Emergency Management Agency on October 14, 2011, for $3,000,000 at 1% interest, for the loss in revenue related to the floods in 2011. There is no term or scheduled payments associated with this agreement. Pursuant to Section 417 of the Stafford Relief and Emergency Assistance Act, the principal and interest may be cancelled upon meeting certain criteria for continued non-recovery of revenues.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance at Sept. 30, 2011	Additions	Deletions	Balance at Sept. 30, 2012	Amounts Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds payable	$ 28,680,000	$ 5,140,000	$ 1,540,000	$ 32,280,000	$ 2,150,000
Plus deferred amounts:					
Bond premium	188,531	52,472	18,348	222,655	-
Bond discounts	(52,016)	-	(3,588)	(48,428)	-
Other loans	25,565,121	6,879,292	5,292,727	27,151,686	1,132,247
Leases payable	117,003	-	49,940	67,063	53,340
Compensated absences	539,115	55,577	29,693	564,999	-
Total	$ 55,037,754	$ 12,127,341	$ 6,927,120	$ 60,237,975	$ 3,335,587

Compensated absences will be paid from the fund from which the employee's salaries were paid which are generally the General Fund and Road Maintenance Fund.

The following is a summary of changes in long-term liabilities and obligations for the component units for the year ended September 30, 2012:

	Balance at Sept. 30, 2011	Additions	Deletions	Balance at Sept. 30, 2012	Amounts Due Within One Year
Component Units:					
Bonds payable:					
General obligation bonds payable	$ 16,170,639		$ 1,570,676	$ 14,599,963	$ 1,460,507
Other loans	122,792	277,500	186,075	214,217	67,177
Total	$ 16,293,431	$ 277,500	$ 1,756,751	$ 14,814,180	$ 1,527,684

(10) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2012:

Fund	Deficit Amount
Law Library	$ 11,525

(11) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(12) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for which the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept 30, 2012
Tax increment financing bonds	$ 850,000

(13) No Commitment Debt (Included in Financial Statements).

As of September 30, 2012, Tunica County entered into a CAP Loan agreement for $6 million and a Major Economic Impact Loan for $15.1 million with Mississippi Development Authority to construct a building and related infrastructure for Schulz Xtruded Products. The County also entered into a capital lease agreement with Schulz Xtruded Products, whereby lease payments will supply the annual debt service required by the loans. Upon repayment of the loans, Schulz Xtruded Products has the option to purchase the facilities. The County is not obligated in any manner for repayment of the loans. However, the loans are reported as liabilities in the accompanying financial statements. Also see Note 17.

(14) Joint Venture.

The County is a participant along with DeSoto, Lafayette, Panola and Tate counties in a joint venture, authorized by Section 39-3-9, Miss Code Ann. (1972), to operate the First Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties. First Regional Library is governed by a five-member board appointed by the Board of Supervisors of the participating counties, one from each county. Each county appropriates annually as determined by each Board of Supervisors for the ongoing support of the First Regional Library. Tunica County, Mississippi's appropriations from the General Fund this year to the joint venture amounted to $294,720. Complete financial statements for the First Regional Library can be obtained from P.O. Box 386, Hernando, Mississippi 38632.

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

North Delta Planning and Development District operates in a district composed of the counties of Coahoma, DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Tunica County, Mississippi Board of Supervisors appoints two of 30 members of the board of directors. Tunica County, Mississippi appropriated $638,134 for the support for the district in fiscal year 2012.

Yazoo-Mississippi Water Management District operates in a district composed of the counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Tunica County, Mississippi Board of Supervisors appoints one of the 21 members of the board of commissioners. Tunica County, Mississippi appropriated $405,239 for support of the district in the fiscal year 2012.

Northwest Mississippi Community College operates in a district composed of the counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Tunica County, Mississippi Board of Supervisors appoints two of the 23 members of the college board of trustees. Tunica County, Mississippi appropriated $383,551 for maintenance and support of the college in the fiscal year 2012.

Coahoma Community College operates in a district composed of the counties of Bolivar, Coahoma, Quitman, Tallahatchie and Tunica. The Tunica County, Mississippi Board of Supervisors appoints one of the 12 members of the college board of trustees. Tunica County, Mississippi appropriated $303,038 for maintenance and support of the college in the fiscal year 2012.

Mid-State Opportunity, Inc. operates in a district composed of the counties of DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Tunica County, Mississippi Board of Supervisors appoints one of the 30 board members. Tunica County, Mississippi appropriated $70,633 for support of the agency in fiscal year 2012.

The Region One Mental Health Center operates in a district composed of the counties of Coahoma, Quitman, Tallahatchie and Tunica. The Tunica County, Mississippi Board of Supervisors appoints one of the 4 members of the board of commissioners. Tunica County, Mississippi appropriated $75,000 for support of the center in fiscal year 2012.

(16) Defined Benefit Pension Plan.

Plan Description - Tunica County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi ("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 may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy - PERS members are required to contribute 9.00% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were $1,461,427, $1,338,803 and $1,394,168 respectively, equal to the required contributions for each year.

(17) Special Item.

As described in Note 13, the County has entered into certain agreements with Schulz Xtruded Products. The facilities constructed are leased to Schulz Xtruded Products under a capital lease agreement. As such, the removal of the facilities from the County's Statement of Net Assets results in expense of $9,766,850, which is the difference between the "Capital lease note receivable" balance of $22,880,658 and what was expended (including federal grant monies) by the County to construct the facilities.

(18) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Tunica County, Mississippi evaluated the activity of the county through June 25, 2013, (the date the financial statements were available to be issued), and determines that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

In December 2012, the County approved the application of $1,000,000 of the receivable due from Schulz Xtruded Products (see Notes 13 and 17), to additional project costs, thereby reducing the receivable by $1,000,000.

In April 2013, the County issued General Obligation Refunding Bonds in the amount of $9,510,000, payable over 13 years with an interest rate of 2.00% - 3.00%.

REQUIRED SUPPLEMENTARY INFORMATION

TUNICA COUNTY, MISSISSIPPI
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variances Positive (Negative)	
	Original	Final	Budgetary Basis	Original to Final	Final to Actual
Revenues					
Property taxes	$ 2,239,550	$ 2,239,550	$ 2,270,046	$ -	$ 30,496
Licenses, commissions and other revenue	1,900,490	1,900,490	1,812,053	-	(88,437)
Fines and forfeitures	337,000	337,000	293,551	-	(43,449)
Intergovernmental revenues	762,971	580,971	827,390	(182,000)	246,419
Charges for services	240,000	240,734	168,096	734	(72,638)
Interest income	40,000	40,000	32,615	-	(7,385)
Miscellaneous revenues	67,000	67,000	219,936	-	152,936
Total Revenues	5,587,011	5,405,745	5,623,687	(181,266)	217,942
Expenditures					
General government	7,965,095	9,179,675	9,103,926	(1,214,580)	75,749
Public safety	8,956,536	9,551,316	9,528,751	(594,780)	22,565
Public works	1,876,867	1,973,167	1,802,435	(96,300)	170,732
Health and welfare	2,606,160	2,588,615	2,854,012	17,545	(265,397)
Culture and recreation	6,036,391	6,102,233	6,079,845	(65,842)	22,388
Education	86,013	86,013	86,013	-	-
Conservation of natural resources	545,014	422,901	407,314	122,113	15,587
Economic development and assistance	792,325	916,108	850,420	(123,783)	65,688
Debt service:					
Principal	2,002,945	2,002,945	1,872,585	-	130,360
Interest	1,414,056	1,414,056	1,376,115	-	37,941
Bond issue costs	-	-	-	-	-
Total Expenditures	32,281,402	34,237,029	33,961,416	(1,955,627)	275,613
Excess of Revenues over (under) Expenditures	(26,694,391)	(28,831,284)	(28,337,729)	(2,136,893)	493,555
Other Financing Sources (Uses)					
Compensation for loss of capital assets	50,000	50,000	99,780	-	49,780
Rent proceeds	740,000	740,000	623,249	-	(116,751)
Sale of assets	-	367,000	383,332	367,000	16,332
Operating transfers in	-	-	244,034	-	244,034
Operating transfer out	(490,104)	(490,104)	(244,034)	-	246,070
Total Other Financing Sources (Uses)	299,896	666,896	1,106,361	367,000	439,465
Net Changes in Fund Balances	(26,394,495)	(28,164,388)	(27,231,368)	(1,769,893)	933,020
Fund Balance - Beginning	2,381,714	2,381,714	2,575,751	-	194,037
Fund Balance - Ending	$ (24,012,781)	$ (25,782,674)	$ (24,655,617)	$ (1,769,893)	$ 1,127,057

TUNICA COUNTY, MISSISSIPPI
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
Road Maintenance Fund
For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variances Positive (Negative)	
	Original	Final	Budgetary Basis	Original to Final	Final to Actual
Revenues					
Property taxes	$ 4,500	$ 4,500	$ 5,092	$ -	$ 592
Road and bridge privilege tax	120,000	120,000	117,128	-	(2,872)
Intergovernmental revenues	115,000	115,000	62,547	-	(52,453)
Interest income	80,000	80,000	21,003	-	(58,997)
Miscellaneous revenues	-	-	2,037	-	2,037
Total Revenues	319,500	319,500	207,807	-	(111,693)
Expenditures					
Public works	8,174,500	8,174,500	5,750,408	-	2,424,092
Total expenditures	8,174,500	8,174,500	5,750,408	-	2,424,092
Excess of Revenues over (Under) Expenditures	(7,855,000)	(7,855,000)	(5,542,601)	-	2,312,399
Net Changes in Fund Balances	(7,855,000)	(7,855,000)	(5,542,601)	-	2,312,399
Fund Balance - Beginning	4,000,000	4,000,000	5,651,777	-	1,651,777
Fund Balance - Ending	$ (3,855,000)	$ (3,855,000)	$ 109,176	$ -	$ 3,964,176

TUNICA COUNTY, MISSISSIPPI
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
Pipe Plant Fund
For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variances Positive (Negative)	
	Original	Final	Budgetary Basis	Original to Final	Final to Actual
Revenues					
Intergovernmental revenues	$ 400,000	$ 400,000	$ 981,895	$ -	$ 581,895
Interest income	-	-	-	-	-
Total Revenues	400,000	400,000	981,895	-	581,895
Expenditures					
Economic development	1,900,000	2,462,500	1,661,567	(562,500)	800,933
Bond issue cost	-	-	-	-	-
Total expenditures	1,900,000	2,462,500	1,661,567	(562,500)	800,933
Excess of Revenues over (Under) Expenditures	(1,500,000)	(2,062,500)	(679,672)	(562,500)	1,382,828
Other Financing Sources (Uses)					
Loan proceeds	1,500,000	2,062,500	2,000,000	562,500	(62,500)
Total Other Financing Sources (Uses)	1,500,000	2,062,500	2,000,000	562,500	(62,500)
Net Changes in Fund Balances	-	-	1,320,328	-	1,320,328
Fund Balance - Beginning	-	-	2,873,444	-	2,873,444
Fund Balance - Ending	$ -	$ -	$ 4,193,772	$ -	$ 4,193,772

Notes to the Required Supplementary Information

(A) Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

(B) Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

(C) Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP)

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types		
	General Fund	Road Construction Fund	Pipe Plant Fund
Budget (Cash Basis)	$ (27,231,368)	$ (5,542,601)	$ 1,320,328
Increase (Decrease)			
Net adjustments for revenue accruals	28,748,016	3,489,162	(167,307)
Net adjustments for expenditure accruals	(199,251)	686,585	-
GAAP Basis	$ 1,317,397	$ (1,366,854)	$ 1,153,021

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SUPPLEMENTAL INFORMATION

TUNICA COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through Mississippi Development Authority			
Community Development Block Grants/State's program	14.228	09-072-ED-01	32,967
* Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-095P-MS-0209	345,958
Total U.S Department of Housing and Urban Development			378,925
U.S. Department of Justice			
Direct program through Department of Justice			
ARRA-Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0513	93,518
Passed through Division of Public Safety Planning			
Juvenile Accountability Block Grants	16.523	09JB1721	33,133
Crime Victim Assistance	16.575	10VA1721	25,799
Victims of Crime Program	16.575	11VA1721	11,772
Total U.S Department of Justice			164,222
U. S. Department of Transportation			
Direct program through Federal Aviation Administration			
* Airport Improvement Program (Note B)	20.106	3-28-0069-018-2011	400,280
* Airport Improvement Program (Note B)	20.106	3-28-0069-019-2012	323,334
Subtotal Direct program through Federal Aviation Administration			723,614
Passed through State of Mississippi Department of Public Safety			
Alcohol Open Container Requirements	20.607	12-TA-172-1	58,130
Total U.S. Department of Transportation			781,744
Delta Regional Authority			
Direct program through Delta Regional Authority			
Delta Area Economic Development Grant	90.201	MS2897	111,428
Delta Area Economic Development Grant	90.201	MS2897-A	1,000
Delta Area Economic Development Grant	90.201	MS5392	9,000
Total Delta Regional Authority			121,428
U.S. Department of Health and Human Services			
Direct program through Department of Health and Human Services			
Social Services Block Grant	93.667	074WL11A	141,008
Social Services Block Grant	93.667	074WL21	36,723
Total U.S Department of Health and Human Services			177,731
U.S. Department of Homeland Security			
Passed through State of Mississippi Emergency Management Agency			
Disaster Grants - Public Assistance	97.036	1983	26,137
Hazard Mitigation Grant	97.039	1604-0439	31,363
Hazard Mitigation Grant	97.039	1604-0439	990
Hazard Mitigation Grant	97.039	1604-402	2,681
Hazard Mitigation Grant	97.039	1604-404	1,771
Hazard Mitigation Grant	97.039	1604-406	1,780
Emergency Management Performance Grants	97.042	2012 EMPG	7,600
Emergency Management Performance Grants	97.042	12EMPL00	19,036
Subtotal Passed through State of Mississippi Emergency Management Agency			91,358
Passed through State of Mississippi Dept. of Homeland Security			
Homeland Security Grant Program	97.067	08LE072T	13,581
Homeland Security Grant Program	97.067	10LE072	63,080
Homeland Security Grant Program	97.067	10LE072S	8,526
Homeland Security Grant Program	97.067	09LE072T	98,974
Homeland Security Grant Program	97.067	S9LE072	2,290
Homeland Security Grant Program	97.067	S9LE072T	30,000
Homeland Security Grant Program	97.067	A9LE072T	3,460
Homeland Security Grant Program	97.067	A9LE072	10,613
Homeland Security Grant Program	97.067	E9LE072T	8,500
Homeland Security Grant Program	97.067	10HS072T	21,973
Subtotal Passed through State of Mississippi Dept. of Homeland Security			260,997
Total U.S Department of Homeland Security			352,355
Total for all Federal Awards			$ 1,976,405

TUNICA COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies
The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

Note B - Airport Improvement Program
Of the federal expenditures presented in the schedule, federal awards totaling $723,614 went directly to the co-sponsor, Tunica County Airport Commission during the year ended September 30, 2012, and are not reflected in the county's revenues/expenditures.

* Denotes Major Federal Award Program

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OTHER INFORMATION

TUNICA COUNTY, MISSISSIPPI
Schedule Surety Bonds for County Officials
For the Year Ended September 30, 2012

Position	Bond
Supervisor District 1	$ 100,000
Supervisor District 2	$ 100,000
Supervisor District 3	$ 100,000
Supervisor District 4	$ 100,000
Supervisor District 5	$ 100,000
County Administrator	$ 100,000
Comptroller	$ 100,000
Chancery Clerk	$ 100,000
Purchase Clerk	$ 75,000
Assistant Purchase Clerk	$ 50,000
Payroll Clerk	$ 50,000
Receiving Clerk	$ 75,000
Deputy Receiving Clerk	$ 10,000
Deputy Receiving Clerk	$ 50,000
Deputy Receiving Clerk	$ 50,000
Inventory Clerk	$ 75,000
Assistant Inventory Clerk	$ 50,000
Road Manager	$ 50,000
Constable	$ 50,000
Constable	$ 50,000
Circuit Clerk	$ 100,000
Sheriff	$ 100,000
Justice Court Judge	$ 50,000
Justice Court Judge	$ 50,000
Justice Court Clerk	$ 50,000
Deputy Justice Court Clerk	$ 50,000
Deputy Justice Court Clerk	$ 50,000
Deputy Justice Court Clerk	$ 50,000
Deputy Justice Court Clerk	$ 50,000
Tax Assessor/Collector	$ 100,000

SPECIAL REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors
Tunica County, Mississippi

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Tunica County, Mississippi ("the County), as of and for the year ended, September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 25, 2013. Our report includes a qualified opinion on the aggregate discretely presented component units due to Tunica County Arena and Exposition Center and Tunica County Museum, Inc. not being audited, which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government. We did not audit the financial statements of Tunica County Airport Commission, Tunica County Public Projects, Inc., Tunica County Tourism Commission, or Tunica County Utility District, which represents 95.63 percent of assets, 95.01 percent of net assets, and 93.73 percent of revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors. 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 misstatements. The financial statements of Tunica County Public Projects, Inc. and Tunica County Tourism Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 12-01 to be a material weakness.

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Compliance and Other Matters

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

We also noted certain immaterial instances of noncompliance which we have reported to the management of the County in the Limited Internal Control and Compliance Review Management Report, dated June 25, 2013, included within this document.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
June 25, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Tunica County, Mississippi

Compliance

We have audited the compliance of Tunica County, Mississippi ("the County") with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal programs for the year ended September 30, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2012.

Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in a county's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned

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functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
June 25, 2013

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INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES (REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors
Tunica County, Mississippi

We have examined Tunica County, Mississippi ("the County") compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirement in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Tunica County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountant and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirement. The Board of Supervisors of Tunica County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, the County complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of the County, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
June 25, 2013

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TUNICA COUNTY **Schedule 1**

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2012

Date	Item Purchased	Bid Accepted	Vendor	Reason for Accepting Other Than the Lowest Bid
5/12/12	Limestone	11,743.80	Apac Tennessee	Recommendation by the county engineer and approved by the Board of Supervisors.

TUNICA COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2012

Schedule 2

Our test results did not identify any emergency purchases.

TUNICA COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively from a Sole Source
For the Year Ended September 30, 2012

Our test results did not identify any purchases made noncompetitively from a sole source.

WILLIAMS · PITTS · BEARD, PLLC
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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Tunica County, Mississippi

In planning and performing our audit of the financial statements of Tunica County, Mississippi, ("the County") for the year ended September 30, 2012, we considered the County's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the County's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 25, 2013, on the financial statements of the County.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Sheriff

1. Finding: Section 19-25-73, Miss Code Ann. (1972) limits the amount to be expended for feeding prisoners to six dollars per prisoner per day. As reported in prior year audit reports, the Sheriff exceeded the allowable amount. The current year's excess was $1.55 per day.

   Recommendation: The Sheriff should ensure that costs to feed prisoners do not exceed six dollars a day.

   Sheriff's Response: I will continue to monitor food costs closely and work diligently at reducing the cost to feed prisoners.

Circuit Court Clerk

2. Finding: We noted certain Circuit Clerk's expenses that did not have proper documentation.

   Recommendation: Proper documentation is required for expenses included in the Circuit Clerk's Internal Revenue Service Schedule C.

   Circuit Court Clerk's Response: I will ensure all expenses have proper documentation in the future.

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3. Finding: We noted that certain Circuit Clerk's vendor and payroll payments received from Tunica County are not being posted to the fee journal.

   Recommendation: All vendor and payroll payments should be included in the fee journal.

   Circuit Court Clerk's Response: I will ensure all payments are posted in the fee journal in the future.

4. Finding: We noted that the Circuit Clerk is not properly settling all of the civil and criminal fees to the clearing/fee account.

   Recommendation: All fees should be settled appropriately.

   Circuit Court Clerk's Response: I will ensure all fees are settled appropriately to the fee account.

General

5. Finding: We noted a retiree that was paid in excess of allowable amounts per Section 25-11-127, Miss Code Ann. (1972).

   Recommendation: The County should ensure that retirees are not paid more than the amount allowable by the State code.

   Tunica County's Response: We will monitor pay to retirees to ensure no retiree is paid in excess of allowable amounts.

6. Finding: Inventory reports should be filed with the Board of Supervisors by October 1 and forwarded to the Office of the State Auditor by October 15 each year. The County did not complete and file inventory reports with the Board of Supervisors until November.

   Recommendation: The County should ensure the inventory reports are submitted timely to the Board of Supervisors, and the Office of the State Auditor.

   Tunica County's Response: We will ensure inventory reports are filed timely to the Board and the Office of the State Auditor in the future.

7. Finding: Section 25-3-41 describes timely return of receipts and balance of unspent funds of travel advances. An instance of a travel advance of $276 has not been properly documented to the county administration by a county official.

   Recommendation: Travel advances should be properly documented after the travel is complete.

   Tunica County's Response: We will ensure travel advances are properly documented timely after travel is complete.

The County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
June 25, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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TUNICA COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

(1) Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
Aggregate discretely presented component units	Qualified
General Fund	Unqualified
Road Maintenance Fund	Unqualified
North Tunica Fire Fund	Unqualified
Pipe Plant Fund	Unqualified
Aggregate remaining fund information	Unqualified

(2) Internal control over financial reporting:

(a) Material weakness identified?	Yes
(b) Significant deficiencies identified that are not considered to be material weaknesses?	None noted

(3) Noncompliance material to the financial statements noted: No

Federal Awards:

(4) Internal control over major programs:

(a) Material weakness identified?	No
(b) Significant deficiencies identified that are not considered to be material weaknesses?	None noted

(5) Type of auditor's report issued on compliance for major federal programs: Unqualified

(6) Any audit finding(s) reported as required by Section__.510 (a) of Circular A-133? No

(7) Federal programs identified as a major program:

* Airport Improvement Program, CFDA# 20.106
* Economic Development Initiative, Special Project 14.251

(8) The dollar threshold used to distinguish between type A and type B programs: $ 300,000

(9) Auditee qualified as a low-risk auditee? No

(10) Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ___.315 (b) of OMB Circular A-133? Yes

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

12-01. Criteria – The County is responsible for establishing and maintaining effective internal control over financial reporting.

Condition – During the audit, material adjustments to the financial statements were discovered and reported by the external auditors. The County also relies on its external auditors in assisting in the preparation of external financial statements, related disclosures and Schedule of Federal Awards, including the cash to accrual conversion. Under auditing standards generally accepted in the United States of America, outside auditors cannot be considered part of the entity's internal control structure. The County does not have documented procedures in place that provide review of accrual conversion amounts or otherwise prevent or detect material misstatements in the external financial statements. However, County personnel reviewed and approved all cash to accrual conversion entries.

Effect – The external auditors discovered and proposed adjusting journal entries to the financial statements. Lack of effective internal control over financial statements could result in misstatements of accounts on the County's financial statements.

Cause – The County has not developed procedures or provided staffing to prepare accrual conversion or external financial statements and, consequently, relies on its external auditors for this function.

Recommendation – The County should develop internal control procedures to ensure that all material adjustments are reflected in the financial statements. Additionally, the County should evaluate the costs and benefits of providing for preparation of external financial statements and related disclosures by its personnel.

Response – Tunica County is in the process of developing internal control procedures to ensure all material adjustments are reflected in the financial statements. We are also evaluating the costs and benefits of having financial statements prepared by an outside accounting firm, as compared to staff or the external auditor.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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TUNICA COUNTY
Clifton Johnson
County Administrator

As required by the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement, the Tunica County Government has prepared and hereby submits the following summary of schedule of prior audit finding as of April 25, 2013.

Finding	Status
11-03 & 11-04	The County has implemented procedures to ensure adherence to compliance requirements of grants in accordance with OMB Circular A-133.

Sincerely,

Clifton Johnson, County Administrator
Tunica County Government

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