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TUNICA COUNTY, MISSISSIPPI
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2016

**TUNICA COUNTY
TABLE OF CONTENTS**

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	2
FINANCIAL STATEMENTS	5
Statement of Net Position	6
Statement of Activities	7
Balance Sheet – Governmental Funds	8
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Fiduciary Net Position	12
Statement of Changes in Fiduciary Net Position	13
Notes to Financial Statements	14
REQUIRED SUPPLEMENTARY INFORMATION	33
Schedule of County’s Proportionate Share of Net Pension Liability	34
Schedule of County’s Contributions	35
Notes to Required Supplementary Information	36
SUPPLEMENTARY INFORMATION	37
Schedule of Expenditures of Federal Awards	38
OTHER INFORMATION	39
Schedule of Surety Bonds for County Officials	40
SPECIAL REPORTS	41
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 <i>Government Auditing Standards</i>	42
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by Uniform Guidance	44
Independent Accountant’s Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	46
Limited Internal Control and Compliance Review Management Report	51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	54
AUDITEE’S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	58

TUNICA COUNTY

FINANCIAL SECTION

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MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S
GOVERNMENT AUDIT QUALITY CENTER
DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Tunica County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tunica County, Mississippi, (the County) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data for the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Tunica County, Mississippi, as of September 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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 Tunica County, Mississippi, as of September 30, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the County's Proportionate Share of the Net Pension Liability and Schedule of the County's Contributions 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 this 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 we 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.

Omission of Required Supplementary Information

Tunica County, Mississippi, has omitted the Management's Discussion and Analysis, the Budgetary Comparison Schedules and the corresponding notes that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tunica County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying 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. Such 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2018, on our consideration of Tunica County, Mississippi'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tunica County, Mississippi's internal control over financial reporting and compliance.

Bridgers, Goodman & Aldridge, PLLC

Bridgers, Goodman & Aldridge, PLLC
Certified Public Accountants
Vicksburg, Mississippi

February 28, 2018

TUNICA COUNTY

FINANCIAL STATEMENTS

TUNICA COUNTY
Statement of Net Position
September 30, 2016

Exhibit 1

	<u>Primary Government</u> <u>Governmental Activities</u>
ASSETS	
Cash	\$ 3,145,184
Property tax receivable	8,627,953
Fines receivable, net	1,157,626
Lease payments receivable	20,028,969
Intergovernmental receivables	1,482,343
Internal balances	381,521
Land and construction in progress	26,688,162
Other capital assets, net	<u>137,023,403</u>
Total Assets	<u>198,535,161</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	706,217
Deferred outflows related to pension	<u>6,056,019</u>
Total Deferred Outflows of Resources	<u>6,762,236</u>
LIABILITIES	
Claims payable	224,258
Intergovernmental payables	99,042
Internal balance	47,146
Amounts held in custody for others	99,718
Accrued interest payable	332,981
Other payables	1,946,621
Long-term liabilities	
Due within one year:	
Capital related debt	4,599,718
Non-capital debt	507,058
Due in more than one year:	
Capital related debt	41,886,668
Non-capital debt	4,495,474
Net pension liability	<u>29,169,456</u>
Total Liabilities	<u>83,408,140</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	1,576,593
Unavailable revenue - interest on capital leases	1,294,955
Deferred revenues- property tax	<u>8,627,953</u>
Total Deferred Inflows of Resources	<u>11,499,501</u>
NET POSITION	
Net investment in capital assets	117,931,396
Restricted:	
Expendable:	
Public safety	216,594
Public works	6,082,948
Unrestricted	<u>(13,841,182)</u>
Total Net Position	<u>\$ 110,389,756</u>

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

TUNICA COUNTY
Statement of Activities
For the Year Ended September 30, 2016

Exhibit 2

					Net (Expense) Revenue and Changes in Net Position
			Program Revenues		
			Operating	Capital	Primary
Functions/Programs	Expenses	Charges for	Grants and	Grants and	Government
		Services	Contributions	Contributions	Governmental
					Activities
Primary government:					
Governmental activities:					
General government	\$ 9,120,670	988,608	6,319		(8,125,743)
Public safety	8,352,039	205,575	569,076		(7,577,388)
Public works	5,740,615	77,533	448,043	595,836	(4,619,203)
Health and welfare	2,109,983	650,000	104,650		(1,355,333)
Culture and recreation	5,688,140	321,631	12,000		(5,354,509)
Conservation of natural resources	209,327				(209,327)
Economic development and assistance	524,539			485,562	(38,977)
Interest on long-term debt	1,278,192				(1,278,192)
Pension Expense	3,502,448				(3,502,448)
Total Primary Government	<u>\$ 36,525,953</u>	<u>2,243,347</u>	<u>1,140,088</u>	<u>1,081,398</u>	<u>(32,061,120)</u>
General revenues:					
Property taxes				\$	9,383,649
Gaming revenue					18,475,639
Road & bridge privilege taxes					103,025
Grants and contributions not restricted to specific programs					1,450,417
Rental income					738,216
Unrestricted interest income					80,616
Miscellaneous					1,170,472
Total General Revenues					<u>31,402,034</u>
Changes in Net Position					
					<u>(659,086)</u>
Net Position - Beginning, as previously reported					112,312,264
Prior period adjustment					<u>(1,263,422)</u>
Net Position - Beginning, as restated					<u>111,048,842</u>
Net Position - Ending					<u>\$ 110,389,756</u>

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

TUNICA COUNTY
Balance Sheet – Governmental Funds
September 30, 2016

Exhibit 3

	Major Funds			Other	Total
	General	Road	General	Governmental	Governmental
	Fund	Maintenance	Obligation	Funds	Funds
		Fund	Bond Fund		
ASSETS					
Cash	\$	2,399,098	746,086		3,145,184
Property tax receivable	3,216,518	1,809,292	2,914,970	687,173	8,627,953
Fines receivable, net	1,157,626				1,157,626
Lease payments receivable	20,028,969				20,028,969
Intergovernmental receivables	1,274,357	202,591		5,395	1,482,343
Due from other funds	381,521	3,900,765	15,611	259	4,298,156
Total Assets	<u>26,058,991</u>	<u>8,311,746</u>	<u>3,676,667</u>	<u>692,827</u>	<u>38,740,231</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES					
LIABILITIES					
Claims payable	189,817	34,441			224,258
Intergovernmental payables	99,042				99,042
Due to other funds	3,244,034	42,436		677,311	3,963,781
Amounts held in custody for others	99,718				99,718
Other payables	803,445	342,629	600,680	199,867	1,946,621
Total Liabilities	<u>4,436,056</u>	<u>419,506</u>	<u>600,680</u>	<u>877,178</u>	<u>6,333,420</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	3,216,518	1,809,292	2,914,970	687,173	8,627,953
Unavailable revenue-lease payments	20,028,969				20,028,969
Unavailable revenue-fines	1,157,626				1,157,626
Total Deferred Inflows of Resources	<u>24,403,113</u>	<u>1,809,292</u>	<u>2,914,970</u>	<u>687,173</u>	<u>29,814,548</u>
FUND BALANCE					
Restricted for:					
Debt service			161,017		161,017
Public safety				61,006	61,006
Public works		6,082,948			6,082,948
Assigned to:					
Public safety	155,588				155,588
Unassigned	(2,935,766)			(932,530)	(3,868,296)
Total Fund Balances	<u>(2,780,178)</u>	<u>6,082,948</u>	<u>161,017</u>	<u>(871,524)</u>	<u>2,592,263</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>26,058,991</u>	<u>8,311,746</u>	<u>3,676,667</u>	<u>692,827</u>	<u>38,740,231</u>

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

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2016

	<u>Amount</u>
Total fund balance - Governmental Funds	\$ 2,592,263
Amounts reported for governmental services in the Statement of Net Position 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 \$127,728,772.	163,711,565
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,157,626
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	18,734,014
Deferred amount on refunding	706,217
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(51,488,918)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(332,981)
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(29,169,456)
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions	6,056,019
Deferred inflows of resources related to pensions	(1,576,593)
Total Net Position - Governmental Activities	\$ <u><u>110,389,756</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds
For the Year Ended September 30, 2016

	Major Funds				
	General Fund	Road Maintenance Fund	General Obligation Bond Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 3,556,229	1,966,440	3,151,701	709,279	9,383,649
Gaming revenue	16,276,448	2,199,191			18,475,639
Road and bridge privilege taxes		103,025			103,025
Licenses, commissions and other revenue	1,778,916			6,289	1,785,205
Fines and forfeitures	238,460				238,460
Intergovernmental revenues	1,582,476	1,534,902		554,525	3,671,903
Charges for services	108,390			113,527	221,917
Interest income	74,153	5,869	594		80,616
Rental income	738,216				738,216
Miscellaneous revenues	296,574	1,940		589,483	887,997
Total Revenues	<u>24,649,862</u>	<u>5,811,367</u>	<u>3,152,295</u>	<u>1,973,103</u>	<u>35,586,627</u>
EXPENDITURES					
Current:					
General government	7,431,065		3,549		7,434,614
Public safety	7,707,128			1,232,572	8,939,700
Public works	797,656	4,306,384			5,104,040
Health and welfare	2,265,001				2,265,001
Culture and recreation	5,402,653				5,402,653
Conservation of natural resources	227,656				227,656
Economic development and assistance	524,539			1,767,013	2,291,552
Debt service:					
Principal	1,174,161		2,546,500		3,720,661
Interest	385,019		835,030	16,888	1,236,937
Total Expenditures	<u>25,914,878</u>	<u>4,306,384</u>	<u>3,385,079</u>	<u>3,016,473</u>	<u>36,622,814</u>
Excess of Revenues over (under) Expenditures	<u>(1,265,016)</u>	<u>1,504,983</u>	<u>(232,784)</u>	<u>(1,043,370)</u>	<u>(1,036,187)</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	(327,772)				(327,772)
Transfers in				327,772	327,772
Lease principal payments	103,232				103,232
Proceeds from sale of capital assets	145,006	176,088			321,094
Total Other Financing Sources and Uses	<u>(79,534)</u>	<u>176,088</u>	<u>-</u>	<u>327,772</u>	<u>424,326</u>
Net Changes in Fund Balances	<u>(1,344,550)</u>	<u>1,681,071</u>	<u>(232,784)</u>	<u>(715,598)</u>	<u>(611,861)</u>
Fund Balances - Beginning, as previously reported	(741,809)	4,538,343	724,738	(53,726)	4,467,546
Prior period adjustment	(693,819)	(136,466)	(330,937)	(102,200)	(1,263,422)
Fund Balances - Beginning, as restated	<u>(1,435,628)</u>	<u>4,401,877</u>	<u>393,801</u>	<u>(155,926)</u>	<u>3,204,124</u>
Fund Balances - Ending	<u>\$ (2,780,178)</u>	<u>6,082,948</u>	<u>161,017</u>	<u>(871,524)</u>	<u>2,592,263</u>

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

**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, 2016**

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (611,861)
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 position differs from the change in fund balances by the amount that depreciation of \$5,744,015 exceeded capital outlays of \$4,081,950 in the current period.	(1,662,065)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the net gain of \$282,476 and the proceeds from sale of \$321,094.	(38,618)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(2,236)
Debt proceed provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of debt repayments.	3,720,661
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 liabilities are reported regardless of when financial resources are available. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Principal payments on capital lease receivable	(103,232)
Change in compensated absences	(68,254)
Change in accrued interest payable	13,105
The amortization of:	
Loss on refunding bonds	(100,896)
Premiums on bonds	56,448
Discounts on bonds	(9,912)
Items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recognition of pension expense for the current year	(3,502,448)
Recognition of contributions made for the current year	1,650,222
Change in Net Position of Governmental Activities	\$ (659,086)

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

TUNICA COUNTY
Statement of Fiduciary Net Position
September 30, 2016

Exhibit 5

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ 30,310	\$ 924,549
Intergovernmental receivables		436,567
Due from other funds		47,146
	<hr/>	<hr/>
Total Assets	\$ 30,310	\$ 1,408,262
	<hr/>	<hr/>
LIABILITIES		
Due to other funds		\$ 381,521
Amounts held in custody for others		17,912
Intergovernmental payables		883,985
Other payables		124,844
	<hr/>	<hr/>
Total Liabilities	-	\$ 1,408,262
	<hr/>	<hr/>
NET POSITION		
Held in trust for:		
Individuals, organizations, and other governments	\$ 30,310	
	<hr/>	
Total Net Position	\$ 30,310	
	<hr/>	

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

TUNICA COUNTY
Statement of Changes in Fiduciary Net Position
September 30, 2016

Exhibit 6

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Contributions	\$
Investment income	<u> </u>
Total Additions	<u> </u>
DEDUCTIONS	
Administrative expense	<u> </u>
Total Deductions	<u> </u>
Change in Net Position held in trust for:	
Individuals, organizations, and other governments	
NET POSITION - BEGINNING	30,310
NET POSITION - ENDING	\$ <u><u>30,310</u></u>

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

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

A. Financial Reporting Entity- Tunica County, Mississippi (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.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Tunica County Airport Commission
- Tunica County Healthcare Authority
- Tunica County Museum, Inc.
- Tunica National Public Improvement District
- Tunica County Public Projects, Inc.
- Tunica County Tourism Commission
- Tunica County Utility District

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. Basis of Presentation – The County's basic financial statements consist of government-wide statements, including a Statement of Net Position 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 Position and the Statement of Activities display information concerning the County as a whole. The statements include all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues.

The Statement of Net Position 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 and 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

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

exceptions. 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 are 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, deferred inflows of resources, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting – The Government-wide 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.

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.

General Obligation Bond Fund – This fund is used to account for resources accumulated and used for the payment of long-term debt, principal, interest, and related costs of borrowing.

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 expenditures for specified purposes other than debt service or capital projects.

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures 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 expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPE

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.

D. 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 2012 by the Government Finance Officers Association.

E. 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.

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

G. Inter-fund Transactions and Balances – Transactions between funds that are representative of short-term lending/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." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

H. 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, other than infrastructure, have been estimated, and the methods of estimation are 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.

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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 on 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 schedule on the following page details those thresholds and estimated useful lives.

	<u>Capitalization Thresholds</u>	<u>Estimated Service Life</u>
Land	\$ 0	N/A
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5 to 10 years
Furniture and equipment	5,000	3 to 7 years
Infrastructure	0	20 to 50 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.

I. Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred amount on refunding – For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 10 for additional details

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s), and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Unavailable revenue – interest on capital leases/unavailable revenue – principal and interest on capital leases – When an asset is recorded in the governmental financial statements but the revenue is not available, the government should report a deferred inflow of resources until the revenue becomes available.

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 10 for additional details.

J. Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Long-term liabilities – Long-term liabilities are the un-matured principal of bonds, loans, notes or other forms of noncurrent 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 Position. Bond premiums and discounts 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.

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net Investment in capital assets - 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 position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption - When an expense is incurred for purposes for which both restricted and unrestricted (assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (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 assigned amounts first and then unassigned amounts.

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 non-spendable, restricted, committed, assigned, or unassigned.

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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 a specific purpose 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.

Fund Balance Flow Assumption - When an expenditure is incurred for purposes for which both restricted and unrestricted (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 (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 assigned amounts first and then unassigned amounts.

M. 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 vehicle and mobile homes become a lien and are due in the month that coincides with the month of the 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 the original purchase occurs.

N. 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.

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

O. 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, Government Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

NOTE 2 - PRIOR PERIOD ADJUSTMENTS.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 – Statement of Activities

Explanation	Amount
To record disputed property tax due to case settlement.	\$ (919,809)
To correct client error.	(343,613)
Total prior period adjustment	<u>\$ (1,263,422)</u>

Exhibit 4 – Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
General Fund	
To record disputed property tax due to case settlement.	\$ (311,470)
To correct client error.	(382,349)
Road Maintenance Fund	
To record disputed property tax due to case settlement.	(175,202)
To correct client error.	38,736
General Obligation Bond Fund	
To record disputed property tax due to case settlement.	(330,937)
Other Governmental Funds	
To record disputed property tax due to case settlement.	(102,200)
Total prior period adjustments	<u>\$ (1,263,422)</u>

NOTE 3 - DEPOSITS.

Deposits- The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$4,100,043 and the bank balance was \$6,332,586. The collateral for public entities' deposits in financial institutions is 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. 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. 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.

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 4- INTER-FUND TRANSACTIONS AND BALANCES.

The following is a summary of inter-fund balances at September 30, 2016:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 381,521
Road Maintenance Fund	General Fund	3,223,454
Road Maintenance Fund	Other Governmental Funds	677,311
General Obligation Bond Fund	General Fund	15,611
Other Governmental Funds	General Fund	259
Agency Funds	Road Maintenance Fund	42,436
Agency Funds	General Fund	4,710
Total		<u>\$ 4,345,302</u>

B. Transfers In/Out

The following is a summary of Transfers In/Out at September 30, 2016:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 327,772
Total		<u>\$ 327,772</u>

The purpose of the transfers was operating expenses. The transfers were consistent with the activities of the fund making the transfer.

NOTE 5 -INTERGOVERNMENTAL RECEIVABLES.

Intergovernmental receivables at September 30, 2016, consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Gaming Revenue	\$ 1,315,560
Legislative tax credit	55,420
State Grants	10,023
Federal Grants	101,340
Total	<u>\$ 1,482,343</u>

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 - CAPITAL ASSETS.

The following is a summary of capital assets for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016
Non-depreciable capital assets:				
Land	\$ 7,358,508			7,358,508
Construction in progress	17,482,258	1,847,396		19,329,654
Total non-depreciable capital assets	<u>24,840,766</u>	<u>1,847,396</u>	<u>-</u>	<u>26,688,162</u>
Depreciable capital assets:				
Infrastructure	130,917,306	913,648		131,830,954
Buildings	93,569,524			93,569,524
Improvements other than buildings	22,074,608			22,074,608
Mobile equipment	11,197,908	1,200,752	379,568	12,019,092
Furniture and equipment	5,148,945	120,154	11,102	5,257,997
Total depreciable capital assets	<u>262,908,291</u>	<u>2,234,554</u>	<u>390,670</u>	<u>264,752,175</u>
Less accumulated depreciation for:				
Infrastructure	75,307,811	2,083,037		77,390,848
Buildings	24,424,839	1,858,183		26,283,022
Improvements other than buildings	9,866,827	878,192		10,745,019
Mobile equipment	8,471,021	743,644	341,617	8,873,048
Furniture and equipment	4,266,311	180,959	10,435	4,436,835
Total accumulated depreciation	<u>122,336,809</u>	<u>5,744,015</u>	<u>352,052</u>	<u>127,728,772</u>
Total depreciable capital assets, net	<u>140,571,482</u>	<u>(3,509,461)</u>	<u>38,618</u>	<u>137,023,403</u>
Total capital assets, net	<u>\$ 165,412,248</u>	<u>(1,662,065)</u>	<u>38,618</u>	<u>163,711,565</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	Amount
General government	\$ 2,126,615
Public safety	318,259
Public works	2,697,023
Health and welfare	5,531
Culture and recreation	596,587
Total	<u>\$ 5,744,015</u>

Commitments with respect to unfinished capital projects consisted of the following as of September 30, 2016:

Description of commitment	Remaining Financial Commitment	Expected Date of Completion
Feuer Powertrain Plant	\$ 1,515,213	May 2017
Austin Road Project	\$ 1,647,784	July 2017

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 7 – 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, 2016 to January 1, 2017. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

NOTE 8 – CAPITAL LEASES.

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2016:

<u>Classes of Property</u>	<u>Amount</u>
Buildings	\$ 22,880,658
Total	<u>\$ 22,880,658</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2016, are as follows:

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>
2017	2,902,483	230,322
2018	1,014,157	135,154
2019	1,022,191	127,119
2020	5,240,293	506,258
2021	5,481,150	265,402
2022	3,073,740	30,700
Total	<u>\$ 18,734,014</u>	<u>1,294,955</u>

NOTE 9 – SHORT-TERM DEBT AND LIQUIDITY.

The following is a summary of short-term debt activity for the year ended September 30, 2016:

<u>Description of Debt</u>	<u>Balance</u> <u>Oct. 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Sept. 30, 2016</u>
Line of Credit	\$ 919,360	1,177,635	2,096,995	-
Total	<u>\$ 919,360</u>	<u>1,177,635</u>	<u>2,096,995</u>	<u>-</u>

During the month of November 2014, the County issued \$3,000,000 line of credit note with an interest rate of 3.75% and maturity date of April 1, 2016 in order to alleviate a temporary operating cash flow deficiency.

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLAN.

General Information about the 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.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2016, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers 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, 2016, 2015 and 2014 were \$1,650,222, \$1,658,337 and \$1,750,473 respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the County reported a liability of \$29,169,456 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2016, the County's proportion was 0.1633 percent, which was a decrease of 0.0063 percent from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the County recognized pension expense of \$3,502,448. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 736,334	
Net difference between projected and actual earnings on pension plan investments	3,455,469	
Changes of assumptions	1,428,162	77,513
Changes in the proportion and differences between contributions and proportionate share of contributions		1,499,080
Contributions subsequent to the measurement date	436,054	
Total	\$ 6,056,019	1,576,593

\$436,054 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	Amount
2017	\$ 1,355,944
2018	1,210,535
2019	900,646
2020	576,247
Total	\$ 4,043,372

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.75 - 19 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1- percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Proportionate share of the net pension liability	\$ 37,401,785	29,169,456	22,339,295

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 11 - LONG TERM DEBT.

Debt outstanding as of September 30, 2016, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
A. General Obligation Bonds:			
Airport Improvement Bond, Series 2005	\$ 1,395,000	3.60-5.125%	05/2025
Special Obligation Bonds, Series 2010A	2,870,000	2.60-6.25%	06/2030
Special Obligation Bonds, Series 2010B	1,245,000	3.00-4.50%	06/2030
Special Obligation Bonds, Series 2010	6,425,000	3.00-4.00%	12/2023
General Obligation Refunding Bonds, Series 2012	3,480,000	1.125-2.00%	09/2023
General Obligation Refunding Bonds, Series 2013	6,890,000	2.00-3.00%	07/2026
General Obligation Industrial Development Bonds, Series 2013	534,700	1.00-2.50%	06/2019
Total General Obligation Bonds	<u>\$ 22,839,700</u>		
B. Other Loans:			
Capital Projects Promissory Note	\$ 1,050,496	Variable	05/2030
MS Green Tech Loan	1,597,830	3.4447%	01/2032
Community Disaster Loan	3,000,000	1.00%	Undetermined
CAP Loan	4,843,836	Variable	09/2026
MS Major Economic Impact	12,750,000	0.00%	09/2032
Total Other Loans	<u>\$ 23,242,162</u>		
C. Guaranteed Obligations			
Tunica County Utility District:			
Utility System Refunding Bonds, Series 2010	\$ 3,155,000	3.00-4.50%	02/2024
Mississippi Department of Environmental Quality	1,199,130	1.75%	05/2025
Total Guaranteed Obligations	<u>\$ 4,354,130</u>		

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

Year Ending September 30:	General Obligation Bonds		Other Loans		Guaranteed Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 2,644,600	765,501	1,955,118	250,050	507,058	150,348
2018	2,718,100	688,765	1,176,331	214,171	488,142	130,051
2019	2,807,000	611,423	1,187,093	201,634	510,402	112,965
2020	2,695,000	529,986	1,198,193	188,700	517,703	94,408
2021	2,800,000	445,039	1,209,642	175,356	540,044	75,280
2022-2026	7,690,000	1,102,370	6,188,029	661,308	1,790,781	104,235
2027-2031	1,485,000	218,285	6,428,523	259,816		
2032-2034			899,233	4,878		
Undetermined EMA Loan			3,000,000			
Total	<u>\$ 22,839,700</u>	<u>4,361,369</u>	<u>23,242,162</u>	<u>1,955,913</u>	<u>4,354,130</u>	<u>667,287</u>

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, 2016, the amount of outstanding debt was equal to 11% of the latest property assessments.

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Guaranteed Obligations – On November 14, 2013, the County agreed to make the normal monthly payments on the following debt items for the component unit, Tunic County Utility District.

	Outstanding Amount Guaranteed	Average Interest Rate	Maturity Date
Utility System Refunding Bonds, Series 2010	\$ 3,155,000	3.00-4.50%	02/2024
Mississippi Department of Environmental Quality	1,199,130	1.75%	05/2025
Total Guaranteed Obligations	<u>\$ 4,354,130</u>		

It was determined at this time that the Tunica County Utility District was in need of funding in connection with servicing certain debt as it did not have adequate revenues available to make the debt service payments. The County expects that it will make the monthly payments for the remainder of the term on these debts.

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. This debt was cancelled on January 9, 2017, see Note 17 for additional information.

Prior Year Defeasance of Debt – In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2016, \$3,795,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Reductions	Balance Sept. 30, 2016	Amount due within one year
Compensated absences	\$ 580,148	68,254		648,402	
General obligation bonds	25,386,200		2,546,500	22,839,700	2,644,600
Less:					
Discounts	(99,051)	9,912		(89,139)	
Add:					
Premiums	550,111		56,448	493,663	
Other loans	23,983,723		741,561	23,242,162	1,955,118
Guaranteed obligations	4,786,730		432,600	4,354,130	507,058
Total	<u>\$ 55,187,861</u>	<u>78,166</u>	<u>3,777,109</u>	<u>51,488,918</u>	<u>5,106,776</u>

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

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 12 – DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS.

The following funds reported a deficit in fund balance at September 30, 2016:

Fund	Amount
General Fund	\$ (2,780,178)
Volunteer Fire Protection Fund	(28,928)
Homeland Security Fund	(7,871)
North Tunica County Fire Fund	(187,170)
Feuer Powertrain Project Fund	(708,561)
Total	\$ <u>(3,712,708)</u>

NOTE 13 - 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. The following contingencies warranted additional disclosure:

ASSESSMENT VALUE OF CERTAIN PROPERTIES

In September 2016, the County entered into a settlement agreement effectively ending Cause Nos. 2014-0193 and 2015-0157 involving the assessment value pertaining to certain properties owned by the plaintiff. The County agreed to reduce the assessment values for the 2014 and 2015 tax years resulting in a tax credit due the plaintiff in the amount of \$3,351,000. The County agreed to credit the plaintiff \$500,001 in tax year 2016 and \$950,333 in tax years 2017, 2018, and 2019. Financial provision has been entered in the financial statements.

PROCEDURAL NOTICE AND PUBLICATION OF NOTICE REQUIREMENTS TO EFFECTIVELY LEVY AN AD VALOREM TAX FOR THE 2014-2015 TAX YEAR

The Supreme Court of Mississippi issued a decision in Cause No. 2015-CA-01645-507 affirming the decision of the trial court, Cause No. 2014-0162, on December 14, 2015. The trial court had previously ruled that the protesting tax payer was right in its assertion that the Board of Supervisors of Tunica County did not follow the procedural notice requirements to effectively levy an ad valorem tax for the 2014-2015 tax year.

Currently before the Supreme Court in the aforementioned Cause, is a motion for hearing on the issues of whether or not the levy is void in total, or whether the decision was limited to those citizens that perfected their protest. Secondly, the Court is asked to consider whether the subsequent tax levies are burdened by the Court's decision. A ruling is likely before the end of the year.

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Other Causes have been filed as a procedural safeguard in the event that the 2015 tax levy cases are sustained. The financial impact, if any, has not been determined, therefore, no financial provision has been entered in the financial statements.

ATTORNEY FEES RESULTING FROM LITIGATION

As a result of litigation between the County and the Town of Tunica, Cause No. 2014-0169 and Mississippi Supreme Court, Cause No. 2015-CA-01183-507 the Supreme Court found that withholding gaming revenues from the Town of Tunica was unconstitutional but remanded the case to the trial court on the issue of attorney fees. There is a potential estimated exposure of \$450,000, more or less, if the decision to grant attorney's fees is upheld by the Circuit Court judge. No financial provision has been entered in the financial statements.

Regarding other legal proceedings, it is not possible, at the present time, to estimate the 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.

NOTE 14 – NO COMMITMENT DEBT (NOT INCLUDED IN FINANCIAL STATEMENTS)

No commitment debt is repaid only by the entities for whom 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:

<u>Description</u>	<u>Balance</u> <u>September 30, 2016</u>
Tax increment financing bonds	\$ 850,000

NOTE 15 – JOINT VENTURES.

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 to the joint venture for the year ended September 30, 2016 was \$255,000. Complete financial statements for the First Regional Library can be obtained from the Library website, FirstRegional.org.

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 16 – 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 Board of Supervisors appoints two of the 30 members of the board of directors. The County appropriated \$581,253 for the support of the district in fiscal year 2016.

Yazoo-Mississippi Water Management District operates in a district composed of the counties of Coahoma, Desoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington, and Yazoo. The Tunica County Board of Supervisors appoints one of the 21 members of the Board of Commissioners. The County levied \$168,539 in taxes for maintenance and support in fiscal year 2016.

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 Board of Supervisors appoints two of the 23 members the College Board of Trustees. The County levied \$295,972 in taxes for maintenance and support of the College in fiscal year 2016.

Coahoma Community College operates in a district composed of the counties of Bolivar, Coahoma, Quitman, Tallahatchie, and Tunica. The Tunica County Board of Supervisors appoints one of the 12 members of the College Board of Trustees. The County levied \$295,972 in taxes for the maintenance and support of the College in fiscal year 2016.

The Region One Mental Health Center operates in a district composed of the counties of Coahoma, Quitman, Tallahatchie, and Tunica. The Tunica County Board of Supervisors appoints one of the 4 members of the Board of Commissioners. The County appropriated \$75,000 for support of the Center in fiscal year 2016.

NOTE 17 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION.

The unrestricted net position amount of (\$13,841,182) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$436,054 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The remaining \$5,619,965 balance of deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next four years. The \$1,576,593 balance of deferred inflow of resources related to pension at September 30, 2016 will be recognized in pension expense over the next three years.

The net investment in capital assets net position amount of \$117,931,396 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$706,217 of the deferred outflows of resources at September 30, 2016, will be recognized as an expense and will decrease the net investment in capital assets net position over the next seven years.

The unrestricted net position amount of (\$13,841,182) includes the effect of deferring the recognition of revenue resulting from interest payments on capital leases receivable. \$1,294,955 of the \$11,499,501 balance of deferred inflows of resources at September 30, 2016, will be recognized as revenue and will increase the unrestricted net position over the next nine years.

TUNICA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 18 – EMPHASIS OF MATTER.

As discussed in NOTE 13: CONTINGENCIES: Litigation, the County is party to lawsuits involving the following matters: assessment value of certain properties, procedural notice requirements to effectively levy an ad valorem tax for the 2014-2015 tax year, and attorney fees resulting from litigation. Our opinion is not modified with respect to these matters.

NOTE 19 – SUBSEQUENT EVENTS.

Events that occur after the Statement of Net Position 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 Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Tunica County evaluated the activity of the County through February 28, 2018 (the date the financial statements were available to be issued), and determined that the following events have occurred requiring disclosure in the notes to the financial statements:

On January 9, 2017, the County was informed that the Community Disaster Loan EMA-2012-LF-1972MS02 in the amount of \$3,000,000 had been approved for cancellation.

Subsequent to September 30, 2016 Tunica County has acquired the following debt:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
6/16/2017	0%	\$ 304,605	Golf Cart Lease	Golf course rental fees
6/30/2019	3%	\$ 5,000,000	Loan	Capital lease payments
6/30/2019	3%	\$ 1,260,000	Loan	Capital lease payments

TUNICA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

TUNICA COUNTY**Schedule of the County's Proportionate Share of the Net Pension Liability****Last 10 Fiscal Years*****For the Year Ended September 30, 2016**

	2016	2015	2014
County's proportion of the net pension liability (asset)	0.1633%	0.1696%	0.1835%
County's proportionate share of the net pension liability (asset)	\$ 29,169,456	26,216,815	22,273,540
County's covered-employee payroll	\$ 10,454,952	10,593,670	11,214,883
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	279.00%	247.48%	198.61%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

TUNICA COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,650,222	1,658,337
Contributions in relation to the contractually required contribution	<u>1,650,222</u>	<u>1,658,337</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
County's covered-employee payroll	\$ 10,477,603	10,529,115
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

PENSION SCHEDULES

A. Changes in Benefit Terms.

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

B. Changes of Assumptions.

The assumed rate of interest credited of employee contributions was changed from 3.50% to 2.00%.

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

TUNICA COUNTY

SUPPLEMENTARY INFORMATION

TUNICA COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Catalog of Federal Assistance Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Passed through Department of Public Safety			
Crime Victim Assistance	16.575	14VA1721	\$ 36,048
Passed through Department of Health			
Crime Victim Assistance	16.575	14VA1721	10,463
Total U.S. Department of Justice			<u>46,511</u>
<u>U.S. Department of Transportation</u>			
Passed through State of Mississippi Department of Transportation			
Highway Planning and Construction	20.205	STP-1931(3)B/82	* 515,453
Highway Planning and Construction	20.205	BR NBIS 082/83	* 13,890
Passed through Mississippi Department of Public Safety			
State and Community Highway Safety	20.600	OP2016-OP-17-21	7,115
Alcohol Open Container Requirements	20.607	154-AL-2016-ST-17-21	26,717
Total U.S. Department of Transportation			<u>563,175</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through State of Mississippi Department of Human Services			
Temporary Assistance for Needy Families	93.558	074WL411	104,650
Cal Ripken Sr. Foundation			
Juvenile Mentoring Program	93.558	2016-ST-MDHS-B4B-MS-9	12,000
Total U.S. Department of Health and Human Services			<u>116,650</u>
<u>U.S. Department of Homeland Security</u>			
Passed through Mississippi Emergency Management Agency			
Hazard Mitigation Grant	97.039	FEMA-4268-DR-MS	35,958
Emergency Management Performance Grants	97.042	EMW-2016-EP-00005	33,067
Passed through Mississippi Department of Homeland Security			
Homeland Security Grant Program	97.067	S14LE072	5,395
Total U.S. Department of Homeland Security			<u>74,420</u>
Total Federal Awards			<u>\$ 800,756</u>

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

* Denotes Major Federal Award Program

TUNICA COUNTY

OTHER INFORMATION

TUNICA COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2016
“Unaudited”

Name	Position	Surety Company	Amount
James E. Dunn	Supervisor, District 1	Western Surety	\$ 100,000
Michael E. Johnson, Jr.	Supervisor, District 2	RLI Insurance Company	100,000
Phyllis V. Williams	Supervisor, District 3	Western Surety	100,000
Henry Nickson, Jr.	Supervisor, District 4	Western Surety	100,000
William E. Pegram	Supervisor, District 5	RLI Insurance Company	100,000
Adrian McKay	County Administrator	Western Surety	100,000
Rechelle Siggers	Chancery Clerk	RLI Insurance Company	100,000
Marnetha Gordon	Deputy Chancery Clerk	RLI Insurance Company	50,000
Cindy Fields	Deputy Chancery Clerk	RLI Insurance Company	50,000
Sarah Katherine Hughey	Purchase Clerk	RLI Insurance Company	75,000
Vanessa Carter	Assistant Purchase Clerk	RLI Insurance Company	50,000
Sheila McKay	Receiving Clerk	Western Surety	75,000
Marilyn Davis	Assistant Receiving Clerk	RLI Insurance Company	50,000
Rechelle Siggers	Inventory Control Clerk	Western Surety	75,000
Joe Eddie Hawkins	Road Manager	Western Surety	50,000
Joe Anderson, Jr.	Constable	RLI Insurance Company	50,000
Eugene Bridges	Constable	RLI Insurance Company	50,000
Sharon Reynolds	Circuit Clerk	Western Surety	100,000
Cynthia Bullock	Deputy Circuit Clerk	Western Surety	50,000
Mia Rush	Deputy Circuit Clerk	Western Surety	50,000
Calvin Kasey Hamp	Sheriff	RLI Insurance Company	100,000
Richard W. Ryals II	Justice Court Judge	RLI Insurance Company	50,000
Rodney Hibbler	Justice Court Judge	RLI Insurance Company	50,000
Jennifer Williams	Justice Court Clerk	RLI Insurance Company	50,000
Jerry Lee Clayton	Deputy Justice Court Clerk	RLI Insurance Company	50,000
Monolito Felix	Deputy Justice Court Clerk	Western Surety	50,000
Brenda Grandberry	Deputy Justice Court Clerk	Zurich North America Surety	50,000
Dennis Hopson	Deputy Justice Court Clerk	Western Surety	50,000
Margie Jean Samuels	Deputy Justice Court Clerk	Western Surety	50,000
Victor Randle	Deputy Justice Court Clerk	RLI Insurance Company	50,000
Norma Anderson	Tax Assessor-Collector	Western Surety	100,000
Nancy Purvis	Deputy Tax Assessor	RLI Insurance Company	50,000
Lashundra Ware	Deputy Tax Collector	RLI Insurance Company	50,000
Rosie Byrd	Deputy Tax Collector	RLI Insurance Company	50,000

TUNICA COUNTY

SPECIAL REPORTS

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DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION

**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, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tunica County, Mississippi (the County), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 28, 2018.

Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by the accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tunica County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tunica County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2016-001, 2016-002, 2016-003, and 2016-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tunica County, Mississippi'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, 2016-003, and 2016-004.

However, we noted certain matters that we reported to the management of Tunica County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated February 28, 2018, included within this document.

Tunica County's Responses to Findings

Tunica County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Tunica County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Bridgers, Goodman & Aldridge, PLLC

Bridgers, Goodman & Aldridge, PLLC
Certified Public Accountants
Vicksburg, Mississippi

February 28, 2018

DAVID I. BRIDGERS, JR. CPA
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Members of the Board of Supervisors
Tunica County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Tunica County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tunica County, Mississippi's major federal programs for the year ended September 30, 2016. Tunica County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tunica County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance.) Those standards and the Uniform Guidance 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 Tunica County, Mississippi'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Tunica County, Mississippi's compliance.

Opinion on the Major Federal Program

In our opinion, Tunica County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of Tunica County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tunica County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 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 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, Material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Bridgers, Goodman & Aldridge, PLLC

Bridgers, Goodman & Aldridge, PLLC
Certified Public Accountants
Vicksburg, Mississippi

February 28, 2018



DAVID I. BRIDGERS, JR. CPA
L. KARL GOODMAN, CPA, MBA
MICKEY R. ALDRIDGE, CPA
AMY D. BYARS, CPA

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S
GOVERNMENT AUDIT QUALITY CENTER
DIVISION FOR CPA FIRMS PRIVATE COMPANIES PRACTICE SECTION

**INDEPENDENT ACCOUNTANT'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's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Section 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2016. 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 Accountants and, accordingly, included 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 our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. 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.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed on the following page.

Purchase Clerk.

Finding – The County is responsible for complying with the requirements of the State of Mississippi Policies and Procedures with reference to Public Purchasing Laws: Titles 31 and 37. A well designed purchasing system would comply with the provisions of Titles 31 and 37 and would include the use of purchase requisitions, purchase orders, and receiving reports. During our test work we selected 38 items and noted several instances where there were no invoices, purchase requisitions, purchase orders, or receiving reports.

Recommendation: The County should establish and maintain an adequate internal control system which would ensure that the County is in compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.

Response: We will establish and maintain an adequate internal control system which will ensure compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Tunica County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory, and bid requirements for the year ended September 30, 2016.

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 in relation to that examination.

Tunica County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating Tunica County, Mississippi's compliance with the aforementioned requirements, 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.

Bridgers, Goodman & Aldridge, PLLC

Bridgers, Goodman & Aldridge, PLLC
Certified Public Accountants
Vicksburg, Mississippi

February 28, 2018

TUNICA COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2016

Schedule 1

Our test results did not identify any purchases not made from the lowest bidder.

TUNICA COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2016

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, 2016**

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
1/1/2016	Sand	\$ 9,957.24	Smith Bros Gravel

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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 for the year ended September 30, 2016, we considered Tunica County, Mississippi'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 Tunica County, Mississippi'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 February 28, 2018, on the financial statements of Tunica County, Mississippi.

Due to the reduced scope, these review procedures and compliance test 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 that are opportunities for strengthening internal controls and operating efficiency. Our findings, 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 \$6.68 per day.

Recommendation – The Sheriff should ensure that costs to feed prisoners do not exceed six dollars a day as required by Section 19-25-73, Miss Code Ann. (1972).

Sheriff's Response – At this time no response has been made by the Sheriff.

2. Finding – Section 7-7-60, Miss Code Ann. (1972), establishes the guidelines for the use of a proper petty cash system. During the course of our test work we determined that the sheriff's office petty cash fund did not follow these guidelines.

Recommendation – The Sheriff should follow the prescribed regulations set forth by Section 7-7-60, Miss Code Ann. (1972), in regards to the establishment of the petty cash fund and the regulations for disbursements and replenishment of the petty cash.

Response – The Sheriff will seek board of supervisors' approval to establish and maintain a petty cash fund with the practice of a proper system for disbursements and replenishments based on the guidelines of Section 7-7-60, Miss Code Ann. (1972).

Circuit Clerk's Office

3. Finding – Section 9-7-123 (2), Miss Code Ann. (1972), requires deputy circuit clerks to be bonded in the amount equal to 3 percent of prior year's taxes. With a minimum of \$50,000 and a maximum of \$100,000. During our testing of the Officials Bonds we discovered one deputy circuit clerk was not bonded.

Recommendation – The circuit clerk should ensure that all deputy clerks are bonded as required by Section 9-7-123 (2), Miss Code Ann. (1972).

Circuit Clerk's Response – The deputy circuit clerk was bonded appropriately prior to issuance of this report.

4. Finding – During the course of our test work we noted several instances where the Circuit Clerk did not settle the criminal and civil accounts by the 20th of the following month.

Recommendation – The clerk should make settlements timely to ensure that funds are not misappropriated.

Circuit Clerk's Response – I will comply with guidelines of the Office of the State Auditor and complete all settlements timely.

5. Finding – In the course of our test work the Circuit Clerk was unable to produce supporting documentation for expenses included on the annual financial report.

Recommendation – The clerk should maintain adequate records of all expenses.

Circuit Clerk's Response – Documentation necessary to support expenses will be maintained in the future.

General

6. Finding – We noted the County was under the required deposit for unemployment cash as required by Section 71-5-359, Miss. Code Ann. (1972).

Recommendation – The County should ensure compliance with Section 71-5-359, Miss Code Ann. (1972) whereby the County keeps the required deposit for unemployment cash at year end.

Tunica County's Response – The County will ensure to comply with all requirements within section 71-5-359 of the Miss. Code Ann. (1972).

7. Finding – During our performance of the schedule of statutory fees we noted that the Board of Supervisors had been overpaid according to Section 25-3-13 of the Miss. Code Ann. (1972). The overpayment was due to two supervisors representing district five with both being compensated due to contested election results.

Recommendation – The county administrator should request the board of supervisor to determine that the compensation of elected officials of district five was properly paid.

Tunica County's Response – The county administrator will take this matter to the Board of Supervisors to address the proper compensation from elected supervisors.

Tunica 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 parties. However, this report is a matter of public record and its distribution is not limited.

Bridgers, Goodman & Aldridge, PLLC

Bridgers, Goodman & Aldridge, PLLC
Certified Public Accountants
Vicksburg, Mississippi

February 28, 2018

TUNICA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TUNICA COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental Activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
Road Maintenance Fund	Unmodified
General Obligation Bond Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weakness identified? Yes
 - b. Significant deficiencies identified that are not considered to be material weaknesses? None Reported
3. Noncompliance material to the financial statements noted? Yes

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 reported
5. Type of auditor's report issued on compliance for major federal programs: Unmodified
6. Any audit finding disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No
7. Identification of major federal programs:
 - a. 20.205, Highway Planning and Construction
8. Dollar threshold used to distinguish between type A and type B programs \$750,000
9. Auditee qualified as low-risk auditee? No

Section 2: Financial Statement Findings

Material Weakness

- 2016-001. Criteria: The County is responsible for establishing and maintaining effective internal control over financial reporting.
- Condition: Material adjustments were required to the accounting records during the current year. These adjustments were made by a contract accountant with significant

TUNICA COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

knowledge of the County Financial Accounting Manual, provided by the Office of the State Auditor of Mississippi.

Effect: The work performed by the contract accountant was necessary in order to bring the accounting records to a level which would allow an external auditor to perform an audit under *Government Auditing Standards*. Therefore, the annual September 30, 2016 audit was significantly late.

Cause: The County has not established internal control procedures which would ensure that the County is following the County Financial Accounting Manual.

Recommendation: The County should establish and maintain an effective internal control system over financial reporting ensuring that the County follows the County Financial Accounting Manual. The County should continue to use the services of the contract accountant to provide ongoing monitoring of the accounting records and compliance with the County Financial Accounting Manual.

Response: The County began using the contract accountant as a response to a similar finding on the prior year audit. We will continue the use of the contract accountant in developing an effective system of internal control over financial reporting and continued monitoring to ensure that our accounting system is functioning properly.

2016-002. Criteria: Generally accepted accounting principles require the financial data of the County's component units to be reported with the financial data of the County's primary government unless the County also issued financial statements for the reporting unit that include the financial data for the component units.

Condition: The financial statements do not include the financial data of the County's component units.

Effect: The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Cause: The County has not developed procedures or provided staffing to prepare the required component units financial data.

Recommendation: The County should develop procedures to ensure accounting staff is adequately trained to provide financial data required by generally accepted accounting principles. In addition, the County should consider requiring all component units of the County be audited.

Response: The County is in the process of developing procedures to ensure that staff is trained and knowledgeable to provide financial data required by Generally Accepted Accounting Principles. The County will also provide financial data for its component units for inclusion in the County's financial statement.

2016-003. Criteria: The County is responsible for the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

TUNICA COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

Condition: The County relies on external auditors to accumulate grant information from the various locations and prepare the SEFA.

Cause: No one individual has the responsibility of maintaining grant information or the training to allow for the preparation of the SEFA.

Effect: Error or omission may exist in the SEFA and not be detected.

Recommendation: The County should designate one person in the accounting office with the responsibility of maintaining all grant documentation to allow for the complete and accurate preparation SEFA.

Response: The County is in the process of developing a system for maintaining all grant documentation that is required for reporting.

2016-004. Criteria: The County is responsible for complying with the requirements of the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.

Condition: The County failed to comply with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37. A well designed purchasing system would comply with the provisions of Titles 31 and 37 would include the use of purchase requisitions, purchase orders, and receiving reports. During our test work we selected 38 items and noted several instances where there were no invoices, purchase requisitions, purchase orders, or receiving reports.

Cause: The County has failed to establish and maintain an adequate internal control system to ensure compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.

Effect: The County is not in compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.

Recommendation: The County should establish and maintain an adequate internal control system which would ensure that the County is in compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.

Response: We will establish and maintain an adequate internal control system which will ensure compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.

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.



TUNICA COUNTY
Adrian McKay
County Administrator

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For Year Ended September 30, 2016

Bridgers, Goodman & Aldridge, PLLC
3528 Manor Drive
Vicksburg, Mississippi

Gentlemen:

Tunica County respectfully submit the following summary schedule of prior audit findings.

Financial Statement Findings:

Material Weakness

Finding: 2015-001

Criteria:

The County is responsible for establishing and maintaining effective internal control over financial reporting.

Condition:

Material adjustments were required to the accounting records during the County's 2015 fiscal year. These adjustments were made by a contract accountant with significant knowledge of the County Financial Accounting Manual, provided by the Office of the State Auditor of Mississippi.

Recommendation:

The County should establish and maintain an effective internal control system over financial reporting ensuring that the County follows the County Financial Accounting Manual. The County should continue to use the services of the contract accountant to provide ongoing monitoring of the accounting records and compliance with the County Financial Accounting Manual.

Current Status:

The County responded to the finding by using a contract accountant in developing an effective system of internal control over financial reporting and continued monitoring to ensure that our accounting system is functioning properly. The contract accountant made material adjustments to the current year's accounting records. The County is using this contract accountant to develop an effective system of internal control over financial reporting in order to mitigate the risk for material misstatement, as it applies to the County's accounting records subsequent to the 2016 fiscal year.

Finding: 2015-002

Criteria:

Generally accepted accounting principles require the financial data of the County's component units to be reported with the financial data of the County's primary government unless the County also issued financial statements for the reporting unit that include the financial data for the component units.

Condition:

The financial statements do not include the financial data of the County's component units.

Recommendation:

The County should develop procedures to ensure accounting staff is adequately trained to provide financial data required by generally accepted accounting principles. In addition, the County should consider requiring all component units of the County be audited.

Current Status:

The County did not include the financial data of the County's component units in the current year's financial statements. The County is in the process of developing procedures to ensure that staff is trained and knowledgeable to provide financial data required by Generally Accepted Accounting Principles. The County will also provide financial data for its component units for inclusion in the County's financial statement.

Finding: 2015-003

Criteria:

The County is responsible for the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Condition:

The County relies on external auditors to accumulate grant information from the various locations and prepare the SEFA.

Recommendation:

The County should designate one person in the accounting office with the responsibility of maintaining all grant documentation to allow for the complete and accurate preparation SEFA.

Current Status:

The County did not prepare the Schedule of Expenditures of Federal Awards (SEFA) during the current year. The County is in the process of developing a system for maintaining all grant documentation that is required for reporting.

Finding: 2015-004

Criteria:

The County is responsible for complying with the requirements of the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.

Condition:

The County failed to comply with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37. A well designed purchasing system would comply with the provisions of Titles 31 and 37 would include the use of purchase requisitions, purchase orders, and receiving reports. During our test work we selected 38 items and noted several instances where there were no invoices, purchase requisitions, purchase orders, or receiving reports.

Recommendation:

The County should establish and maintain an adequate internal control system which would ensure that the County is in compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.

Current Status:

The County failed to comply with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37. The County will establish and maintain an adequate internal control system which will ensure compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37 subsequent to the 2016 fiscal year.

Federal Award Findings and Questioned Costs:

Material Weakness

UNITED STATES DEPARTMENT OF TRANSPORTATION

Finding: 2015-005

Highway Planning and Construction (Blues Museum) — CFDA#20.205

Compliance Requirement:

Cash Management

Condition:

The County paid contractors after the County received grant funds from the State of Mississippi.

Recommendation:

The County should develop procedures to ensure compliance with cash management of federal expenditures.

Current Status:

The Highway Planning and Construction (Blues Museum) grant funding and expenditures were exhausted before completion date for the Corrective Action Plan associated with finding 2015-005. The County responded to the Corrective Action Plan by founding a policy that a line of credit will be established for any grant awards that require a substantial reimbursement requirement to ensure all expenses were paid prior to requesting reimbursement from the federal agency.

Finding: 2015-006

Highway Planning and Construction (Blues Museum) — CFDA#20.205

Compliance Requirement:

Special Tests and Provisions – Wage Rate Requirements

Condition:

The County did not notify contractors and subcontractors of the requirements to comply with the Wage Rate Requirements and obtain copies of certified payrolls.

Recommendation:

The County should develop procedures to ensure compliance with the Wage Rate Requirements.

Current Status:

The Highway Planning and Construction (Blues Museum) grant funding and expenditures were exhausted before completion date for the Corrective Action Plan associated with finding 2015-006. The County responded to the Corrective Action Plan by establishing a grant administrative organizational structure that will provide adequate internal control policies and procedures to ensure all contractors and subcontractors are in compliance with the Wage Rate Requirements.

Significant Deficiencies

UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding: 2015-007

Temporary Assistance for Needy Families — CFDA# 93.558

Compliance Requirement:

Period of Performance

Condition:

Prior period expenses were charged to the current year granting period.

Recommendation:

The County should develop procedures to ensure only costs resulting from obligations incurred during the funding period are submitted for reimbursement.

Current Status:

The Temporary Assistance for Needy Families grant funding and expenditures were exhausted before completion date for the Corrective Action Plan associated with finding 2015-007. An additional violation for Period of Performance occurred during the 2016 granting period before the Corrective Action Plan could be implemented. The County responded to the Corrective Action Plan by establishing a grant administrative organizational structure that will provide adequate procedures to ensure only expenses relating to the granting period are submitted to granting agencies for reimbursement.

Sincerely Yours,

A handwritten signature in black ink that reads "Adrian McKay". The signature is written in a cursive, flowing style.

Adrian McKay
Tunica County Government
County Administrator