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TOWN OF TUNICA, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2019



**Bridgers, Goodman, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi**

TOWN OF TUNICA, MISSISSIPPI

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	5
FINANCIAL STATEMENTS	15
Statement of Net Position	16
Statement of Activities	17
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Fiduciary Assets and Liabilities	25
Notes to Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	44
Budgetary Comparison Schedule – General Fund.....	45
Budgetary Comparison Schedule – Fire Fund	46
Schedule of the Town’s Proportionate Share of the Net Pension Liability	47
Schedule of Town Contributions	48
Notes to the Required Supplementary Information	49
OTHER INFORMATION	52
Schedule of Surety Bonds for Town Officials	53
SPECIAL REPORTS.....	54
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>	55
Limited Internal Control and Compliance Review Management Report	57
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	61

TOWN OF TUNICA, MISSISSIPPI

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Tunica
Tunica, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tunica, Mississippi, (the Town) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Tunica, Mississippi, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows 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 Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, the Schedule of the Town's Proportionate Share of the Net Pension Liability, and the Schedule of Town 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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Tunica, Mississippi's basic financial statements.

The Schedule of Surety Bonds for Town 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 August 7, 2020 on our consideration of Town of Tunica, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Tunica, Mississippi's 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 Town of Tunica, Mississippi's internal control over financial reporting and compliance.

Bridgers, Goodman, Baird & Clarke, PLLC

Bridgers, Goodman, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi

August 7, 2020

TOWN OF TUNICA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

Our discussion and analysis of the Town of Tunica's financial performance provides an overview of the Town's financial activities for the year ended September 30, 2019. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Town of Tunica exceeded its liabilities and deferred inflows at the close of the 2019 fiscal year by \$9,223,498 (net position).
- The net position of the Town includes: \$8,564,385 invested in capital assets, net of related debt; and \$659,113 in restricted and unrestricted net position.
- Total assets decreased \$348,384 or 2.37% from 2018. The decrease is primarily due to cash utilization and decreased receivables.
- Total liabilities increased by \$62,918 or 1.25% from 2018. The increase is primarily due to an increase in net pension liability and accounts payable.
- The Town's total net position decreased \$216,033 or 2.29% from 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Tunica, Mississippi's basic financial statements which are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, 3) Notes to the financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1: Required Components of the Town's Annual Report

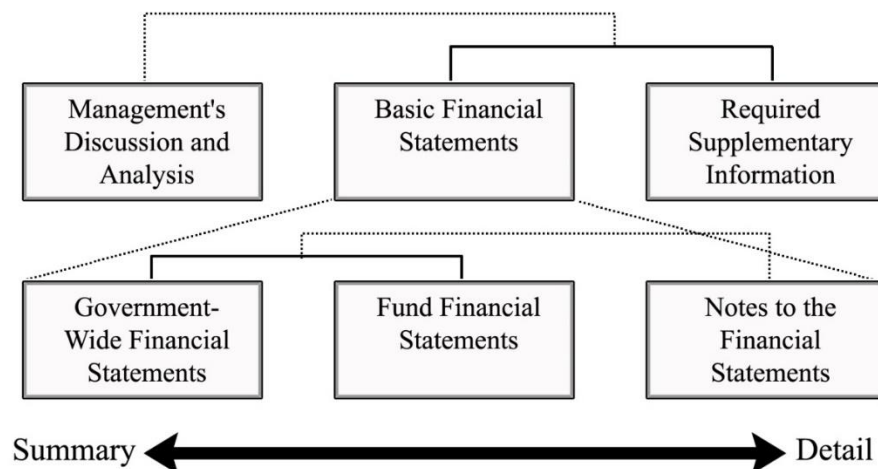


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

Figure 2 summarizes the major features of the Town's financial statements, including the portion of the Town's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

Figure 2: Major Features of the Town's Government-Wide and Fund Financial Statements

Government-Wide Financial Statements		Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town government (except fiduciary funds)	All activities of the Town that are not business-type or fiduciary in nature	Activities of the Town that operate similar to private businesses	The Town is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset, deferred outflow, liability, and deferred inflow information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital and short and long term	Only assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, and short and long term	All assets, deferred outflows, liabilities, and deferred inflows, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

1) Government-wide Financial Statements. The government-wide financial statements presented on pages 16 and 17 are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The **Statement of Net Position** presents information on all of the Town's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities).

The government activities of the Town include municipal court, administrative, municipal complex, shop maintenance, police department, fire department, streets, special projects, main street, fire protection, urban renewal and pension expense.

2) Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: (1) governmental funds, (2) proprietary funds and (3) fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town of Tunica maintains 3 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund, which are considered to be major funds.

TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

All other funds are considered non-major and are presented in a single column. The governmental fund financial statements are presented on pages 18 through 21.

The Town of Tunica adopts an annual budget. Budgetary comparison schedules have been provided on pages 46 through 47 for the General Fund and Fire Fund to demonstrate compliance with this budget.

Proprietary Funds. The Town maintains one proprietary fund- an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for water and sewer, and sanitation operations. The fund is financed primarily through user fees.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are presented on pages 22 through 24.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town used one fiduciary fund consisting of payroll and claims clearing fund. The fiduciary financial statement of assets and liabilities can be found on page 25.

3) Notes to the Financial Statements. The notes, presented on pages 26 through 44, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information concerning the Town's budget process and pension standards on pages 45 through 52.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2019, the assets and deferred outflows of the Town of Tunica exceeded its liabilities and deferred inflows by \$9,223,498.

By far, the largest portion of the Town's net position (\$8,564,385 or 92.85%) reflects its investment in capital assets (land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

(Table 1)
Net Position

	Governmental Activities		Business-type Activities		Total		Increase	Percentage
	2019	2018	2019	2018	2019	2018	(Decrease)	change
<u>Assets</u>								
Current and other assets	\$ 3,672,129	3,863,989	606,692	549,242	4,278,821	4,413,231	(134,410)	-3.05%
Capital assets, net	4,689,771	4,676,549	5,374,974	5,602,170	10,064,745	10,278,719	(213,974)	-2.08%
Total Assets	8,361,900	8,540,538	5,981,666	6,151,412	14,343,566	14,691,950	(348,384)	-2.37%
<u>Deferred outflows</u>	144,604	90,275	61,972	38,688	206,576	128,963	77,613	60.18%
<u>Liabilities</u>								
Current and other liabilities	102,912	87,415	392,696	375,375	495,608	462,790	32,818	7.09%
Net pension liability	2,335,296	2,133,710	1,000,842	914,447	3,336,138	3,048,157	287,981	9.45%
Long-term debt	16,162	11,185	1,251,947	1,514,805	1,268,109	1,525,990	(257,881)	-16.90%
Total Liabilities	2,454,370	2,232,310	2,645,485	2,804,627	5,099,855	5,036,937	62,918	1.25%
<u>Deferred inflows</u>	188,473	298,149	38,316	46,296	226,789	344,445	(117,656)	-34.16%
<u>Net Position:</u>								
Net investment in capital assets	4,689,771	4,676,549	3,874,614	3,845,643	8,564,385	8,522,192	42,193	0.50%
Restricted	714,349	689,304	-	-	714,349	689,304	25,045	3.63%
Unrestricted	459,541	734,501	(514,777)	(506,466)	(55,236)	228,035	(283,271)	-124.22%
Total Net Position	\$ 5,863,661	6,100,354	3,359,837	3,339,177	9,223,498	9,439,531	(216,033)	-2.29%

The Town's total assets decreased \$348,384 during 2019 with governmental activities showing a decrease of \$178,638 and business-type activities showing a decrease of \$169,746.

The Town's total liabilities increased \$62,918. The increase in liabilities was \$222,060 in governmental activities and a decrease of \$159,142 in business-type activities. This change is primarily due to an increase in net pension liability combined with a decrease in capital debt.

The Town's net position decreased \$216,033 from 2018.

Additional information on unrestricted net position:

In connection with the standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position	\$ (55,236)
Less: unrestricted deficit in net position resulting from recognition of GASB 68 & 71	3,181,078
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,125,842</u>

(Table 2)

TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

Change in Net Position

(Table 2)
Changes in Net Position

	Governmental Activities		Business-type Activities		Totals		Increase	Percentage
	2019	2018	2019	2018	2019	2018	(Decrease)	Change
Program Revenues:								
Charges for services	\$ -	-	1,048,350	1,157,713	1,048,350	1,157,713	(109,363)	-9.45%
Licenses and permits	6,873	7,834	-	-	6,873	7,834	(961)	-12.27%
Police fines	78,639	26,474	-	-	78,639	26,474	52,165	197.04%
Rent	51,470	72,718	-	-	51,470	72,718	(21,248)	-29.22%
Contributions and grants	47,396	142,233	101,835	-	149,231	142,233	6,998	4.92%
General Revenues:								
Property taxes	188,529	178,447	25,895	-	214,424	178,447	35,977	20.16%
Gaming taxes	1,763,596	2,021,667	-	-	1,763,596	2,021,667	(258,071)	-12.77%
Sales tax	403,693	402,462	-	-	403,693	402,462	1,231	0.31%
Franchise taxes	52,915	55,170	-	-	52,915	55,170	(2,255)	-4.09%
Gasoline taxes	3,668	3,668	-	-	3,668	3,668	-	0.00%
Liquor taxes	1,800	4,425	-	-	1,800	4,425	(2,625)	-59.32%
Nuclear plant	13,993	14,334	-	-	13,993	14,334	(341)	-2.38%
Gain (loss) on disposition of assets	-	(5,722)	-	-	-	(5,722)	5,722	-100.00%
Miscellaneous	1,824	12,141	935	-	2,759	12,141	(9,382)	-77.28%
Interest	28,763	19,217	1,879	263	30,642	19,480	11,162	57.30%
Transfers	(395,440)	(552,902)	395,440	552,902	-	-	-	
Total Revenues	2,247,719	2,402,166	1,574,334	1,710,878	3,822,053	4,113,044	(290,991)	-7.07%
Program Expenses:								
Municipal Court	114,377	96,253	-	-	114,377	96,253	18,124	18.83%
Administrative	399,767	382,142	-	-	399,767	382,142	17,625	4.61%
Municipal Complex	53,148	37,208	-	-	53,148	37,208	15,940	42.84%
Shop maintenance	39,100	51,850	-	-	39,100	51,850	(12,750)	-24.59%
Police department	650,255	469,283	-	-	650,255	469,283	180,972	38.56%
Fire department	169,721	101,958	-	-	169,721	101,958	67,763	66.46%
Streets	622,819	634,953	-	-	622,819	634,953	(12,134)	-1.91%
Special projects	80,930	96,829	-	-	80,930	96,829	(15,899)	-16.42%
Main Street	37,317	23,828	-	-	37,317	23,828	13,489	56.61%
Urban Renewal	102,259	64,762	-	-	102,259	64,762	37,497	57.90%
Capital Projects	-	287,838	-	-	-	287,838	(287,838)	100.00%
Water, Sewer & Sanitation	-	-	1,461,651	1,462,360	1,461,651	1,462,360	(709)	-0.05%
Pension Expense	214,719	179,779	92,023	77,049	306,742	256,828	49,914	100.00%
Total Expenses	2,484,412	2,426,683	1,553,674	1,539,409	4,038,086	3,966,092	71,994	1.82%
Changes in Net Position	\$ (236,693)	(24,517)	20,660	171,469	(216,033)	146,952	(362,985)	-247.01%

This table does not include the effect of prior period adjustments.

The Town's governmental activities continue to be funded primarily by taxes, which made up approximately 92% of the total revenues. The other major revenue sources were police fines 3% and rental income 2%. The major expense activities were police department, streets, administrative and pension expense which comprise 26%, 25%, 16%, and 9% of total expenses, respectively. The Town remains totally committed to providing the services its residents expect and need.

Business-type activities are accounted for similar to businesses and are primarily supported by user fees.

**TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

The Town makes every effort to keep these fees as low as possible.

FUND FINANCIAL ANALYSIS

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

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

As the year ended, the Town's governmental funds reported a combined fund balance of \$3,374,837 which represents a decrease of \$179,332.

Governmental funds meeting the requirements for being reported as major funds include the General Fund and the Fire Fund. The remaining governmental funds were combined and reported as non-major governmental funds. The General Fund had a net change in fund balance of (\$204,377). The previous year saw an adjusted net change in fund balance of (4,459). The Fire Fund had a net change in fund balance of \$45,390.

Major Fund Budgeting Highlights

The Town's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. One of the most significant budgeted funds is the General Fund.

During the course of 2019, the Town amended its General Fund budget. All recommendations for budget changes come from the Town Clerk and are presented to the whole Mayor and Town Council for ordinance enactment on the change. The Town does not allow budget changes that modify line items within departments without council approval. With the general fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments. Revisions in the General Fund increased budgeted expenditures by \$35,100.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the Town had \$10,064,745 invested in a broad range of capital assets, including police and fire equipment, buildings, park and recreation facilities, streets, and water and sewer lines. (See Table 3 on the following page.) This amount represents a net decrease (including additions, deletions, and adjustments) of approximately \$213,974 or 2.08% under the prior year.

TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

(Table 3)
CAPITAL ASSETS AT YEAR-END
(Net of Accumulated Depreciation)

	Government Activities		Business-Type Activities		Totals		Increase	Percentage
	2019	2018	2019	2018	2019	2018	(Decrease)	Change
Land	\$ 1,122,609	1,122,609	13,500	13,500	1,136,109	1,136,109	-	0.00%
Construction in Progress	-	6,280	-	-	-	6,280	(6,280)	-100.00%
Infrastructure	395,542	254,823	5,037,884	5,271,065	5,433,426	5,525,888	(92,462)	-1.67%
Building and improvements	2,478,414	2,595,904	-	-	2,478,414	2,595,904	(117,490)	-4.53%
Mobile and machinery equipment	596,423	591,388	323,590	317,605	920,013	908,993	11,020	1.21%
Furniture & fixtures	96,783	105,545	-	-	96,783	105,545	(8,762)	-8.30%
Total	\$ 4,689,771	4,676,549	5,374,974	5,602,170	10,064,745	10,278,719	(213,974)	-2.08%

The Town of Tunica continues to provide for the growth and stability of its citizenry through various construction and rehabilitation projects. The Town had no construction in progress at September 30, 2019.

Long-term Debt

At year-end, the Town had \$1,531,617 in long-term debt outstanding compared to \$1,782,157 last year, a decrease of \$250,540. Of the total debt outstanding \$1,500,360 is backed by the full faith and credit of the Town with debt service funded by sales tax revenue. The other major component is compensated absences in the amount of \$31,257.

The following table illustrates the total Long-term Debt of the Town of Tunica as of September 30, 2019:

(Table 4)
LONG-TERM DEBT
Outstanding at Year-end

	Government Activities		Business-Type Activities		Totals		Increase	Percentage
	2019	2018	2019	2018	2019	2018	(Decrease)	Change
Other Loans	\$ -	-	1,500,360	1,756,527	1,500,360	1,756,527	(256,167)	-14.58%
Compensated Absences	16,162	11,185	15,095	14,445	31,257	25,630	5,627	100.00%
Totals:	\$ 16,162	11,185	1,515,455	1,770,972	1,531,617	1,782,157	(250,540)	-14.06%

This table does not include the effect of prior period adjustments.

More detailed information about the Town's long-term liabilities is presented in Note (10) of the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when compiling and approving the fiscal year 2020 budget, such as tax rates for governmental activities and fees that will be charged for the

**TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

business-type activities. The total property tax millage rate of 24.5 mills is expected to provide adequate funding in the following year.

CONTACTING THE TOWN'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the Town of Tunica at P.O. Box 395, Tunica, Mississippi 38676, or call (662) 363-2432.

TOWN OF TUNICA, MISSISSIPPI

FINANCIAL STATEMENTS

TOWN OF TUNICA, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2019

	Primary Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,149,171	179,551	3,328,722
Receivables:			
Property tax receivable	152,411	22,862	175,273
Fines receivable, net of uncollectible	41,969	-	41,969
Franchise fees receivable	13,619	-	13,619
Intergovernmental receivable	340,854	969	341,823
Accounts receivable	-	301,138	301,138
Internal Balances	(25,895)	25,895	-
Restricted assets:			
Cash and cash equivalents	-	76,277	76,277
Capital assets, net			
Land and construction in progress	1,122,609	13,500	1,136,109
Other capital assets, net	3,567,162	5,361,474	8,928,636
Total Assets	8,361,900	5,981,666	14,343,566
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	144,604	61,972	206,576
Total Deferred Outflows of Resources	144,604	61,972	206,576
LIABILITIES			
Accounts payable and accrued expenses	102,912	45,944	148,856
Accrued interest payable	-	3,296	3,296
Debt due within one year - capital debt	-	263,508	263,508
Debt due in more than one year - capital debt	-	1,236,852	1,236,852
Net Pension Liability	2,335,296	1,000,842	3,336,138
Compensated absences	16,162	15,095	31,257
Liabilities payable from restricted assets-Customer deposits	-	79,948	79,948
Total Liabilities	2,454,370	2,645,485	5,099,855
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	36,062	15,454	51,516
Deferred revenues-property tax	152,411	22,862	175,273
Total Deferred Inflows of Resources	188,473	38,316	226,789
NET POSITION			
Net investment in capital assets	4,689,771	3,874,614	8,564,385
Restricted:			
General Government	105,078		105,078
Public safety	609,271		609,271
Unrestricted	459,541	(514,777)	(55,236)
Total Net Position	\$ 5,863,661	3,359,837	9,223,498

TOWN OF TUNICA, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Primary		Total
				Governmental Governmental Activities	Business-type Activities	
Governmental activities:						
Municipal Court	\$ 114,377	78,639	-	(35,738)		(35,738)
Administrative	399,767	6,873	-	(392,894)		(392,894)
Municipal Complex	53,148	-	-	(53,148)		(53,148)
Shop maintenance	39,100	-	-	(39,100)		(39,100)
Police Department	650,255	-	6,231	(644,024)		(644,024)
Fire Department	169,721	-	-	(169,721)		(169,721)
Streets	622,819	-	123	(622,696)		(622,696)
Special Projects	80,930	-	-	(80,930)		(80,930)
Main Street	37,317	-	-	(37,317)		(37,317)
Fire Protection	-	-	41,042	41,042		41,042
Urban Renewal	102,259	-	51,470	(50,789)		(50,789)
Pension Expense	214,719	-	-	(214,719)		(214,719)
Total governmental activities	2,484,412	85,512	98,866	(2,300,034)		(2,300,034)
Business-type activities:						
Utility Fund	1,553,674	1,151,120	-		(402,554)	(402,554)
Total business-type activities	1,553,674	1,151,120	-		(402,554)	(402,554)
Total primary government	\$ 4,038,086	1,236,632	98,866	(2,300,034)	(402,554)	(2,702,588)
General revenues:						
Property taxes				\$ 188,529	25,895	214,424
Sales and tourism tax				403,693	-	403,693
Franchise taxes				52,915	-	52,915
Other taxes				1,783,057	-	1,783,057
Unrestricted interest income				28,763	1,879	30,642
Other income				1,824	-	1,824
Transfers				(395,440)	395,440	-
Total general revenues and transfers				2,063,341	423,214	2,486,555
Change in net position				(236,693)	20,660	(216,033)
Net Position - beginning				6,100,354	3,339,177	9,439,531
Net Position, ending				\$ 5,863,661	3,359,837	9,223,498

TOWN OF TUNICA, MISSISSIPPI
BALANCE SHEET- GOVERNMENTAL FUNDS
September 30, 2019

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Fire</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,435,052	603,945	110,174	3,149,171
Receivables:				
Property taxes	152,411	-	-	152,411
Fines, net of uncollectible	41,969	-	-	41,969
Franchise fee	13,619	-	-	13,619
Intergovernmental	312,093	705	-	312,798
Advances to other funds	-	4,621	-	4,621
Due from other funds	29,903	-	-	29,903
Total Assets	<u>2,985,047</u>	<u>609,271</u>	<u>110,174</u>	<u>3,704,492</u>
LIABILITIES				
Accounts payable	65,051	-	3,249	68,300
Accrued expenses	34,612	-	-	34,612
Advances from other funds	4,621	-	-	4,621
Due to other funds	25,895	-	1,847	27,742
Total Liabilities	<u>130,179</u>	<u>-</u>	<u>5,096</u>	<u>135,275</u>
Deferred Inflows of Resources				
Unavailable revenue-property taxes	152,411	-	-	152,411
Unavailable revenue- fines	41,969	-	-	41,969
Total Deferred Inflows of Resources	<u>194,380</u>	<u>-</u>	<u>-</u>	<u>194,380</u>
FUND BALANCES				
Restricted for:				
General Government	-	-	105,078	105,078
Public safety	-	609,271	-	609,271
Unassigned	2,660,488	-	-	2,660,488
Total Fund Balances	<u>2,660,488</u>	<u>609,271</u>	<u>105,078</u>	<u>3,374,837</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,985,047</u>	<u>609,271</u>	<u>110,174</u>	<u>3,704,492</u>

TOWN OF TUNICA, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2019

	<u>Amount</u>
Total fund balance - Governmental Funds	\$ 3,374,837
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 \$5,929,366.	4,689,771
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	41,969
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(2,335,296)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(16,162)
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	144,604
Deferred inflows of resources related to pensions	(36,062)
Total Net Position - Governmental Activities	\$ <u>5,863,661</u>

TOWN OF TUNICA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

	Major Funds		Other	Total
	General Fund	Fire Fund	Governmental Funds	Governmental Funds
REVENUES:				
Taxes	\$ 188,529	-	-	188,529
Licenses and permits	6,873	-	-	6,873
Intergovernmental:				
State of Mississippi:				
General sales tax	403,693	-	-	403,693
Gaming tax	1,763,596	-	-	1,763,596
Liquor Licenses	1,800	-	-	1,800
Gasoline tax	3,668	-	-	3,668
Fire protection	-	6,079	-	6,079
Grand gulf	13,993	-	-	13,993
Tunica County:				
Road maintenance	123	-	-	123
Fire protection	-	34,963	-	34,963
Grants	6,231	-	-	6,231
Franchise tax	52,915	-	-	52,915
Fines and forfeitures	68,952	-	-	68,952
Interest income	22,991	4,348	1,424	28,763
Rental income	24,984	-	26,486	51,470
Miscellaneous	1,824	-	-	1,824
Total revenues:	<u>2,560,172</u>	<u>45,390</u>	<u>27,910</u>	<u>2,633,472</u>
EXPENDITURES:				
Municipal Court	126,823	-	-	126,823
Administrative	428,782	-	-	428,782
Municipal Complex	23,051	-	-	23,051
Shop Maintenance	37,624	-	-	37,624
Police Department	687,628	-	-	687,628
Fire Department	129,133	-	-	129,133
Streets	833,789	-	-	833,789
Special Projects	56,962	-	-	56,962
Main Street	37,317	-	-	37,317
Urban renewal	-	-	56,255	56,255
Total expenditures	<u>2,361,109</u>	<u>-</u>	<u>56,255</u>	<u>2,417,364</u>
Excess of Revenues over (under) Expenditures	<u>199,063</u>	<u>45,390</u>	<u>(28,345)</u>	<u>216,108</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	8,000	8,000
Transfers out	(403,440)	-	-	(403,440)
Net other financing sources (uses)	<u>(403,440)</u>	<u>-</u>	<u>8,000</u>	<u>(395,440)</u>
Net change in fund balances	<u>(204,377)</u>	<u>45,390</u>	<u>(20,345)</u>	<u>(179,332)</u>
Fund balances, beginning	<u>2,864,865</u>	<u>563,881</u>	<u>125,423</u>	<u>3,554,169</u>
Fund balance, ending	<u>\$ 2,660,488</u>	<u>609,271</u>	<u>105,078</u>	<u>3,374,837</u>

TOWN OF TUNICA, MISSISSIPPI
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, 2019

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (179,332)
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 capital outlays of \$323,334 exceeded depreciation of \$310,112 in the current period.	13,222
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	9,687
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:	
Change in compensated absences	(4,977)
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	(214,719)
Recognition of contributions made	139,426
Change in Net Position of Governmental Activities	\$ <u>(236,693)</u>

TOWN OF TUNICA, MISSISSIPPI
STATEMENT OF NET POSITION- PROPRIETARY FUNDS
September 30, 2019

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Utility</u>
	<u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 179,551
Property tax receivable	22,862
Accounts receivable	301,138
Due from other funds	26,864
Total Current Assets	<u>530,415</u>
Non-current assets:	
Restricted assets - cash	76,277
Capital assets:	
Land and construction in progress	13,500
Other capital assets, net	5,361,474
Total Non-Current Assets	<u>5,451,251</u>
Total Assets	<u><u>5,981,666</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	61,972
Total Deferred Outflows of Resources	<u><u>61,972</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	45,944
Accrued interest payable	3,296
Current portion of long-term debt	263,509
Total Current Liabilities	<u>312,749</u>
Non-current liabilities:	
Liabilities payable from restricted assets:	
Customer deposits	79,948
Net pension liability	1,000,842
Capital debt:	
Notes payable	1,236,851
Non-capital debt:	
Compensated absences	15,095
Total Non-Current Liabilities	<u>2,332,736</u>
Total Liabilities	<u><u>2,645,485</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	15,454
Deferred revenues- property tax	22,862
Total Deferred Inflows of Resources	<u><u>38,316</u></u>
NET POSITION	
Net investment in capital assets	3,874,614
Unrestricted	(514,777)
Total Net Position	<u><u>\$ 3,359,837</u></u>

TOWN OF TUNICA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION- PROPRIETARY FUNDS
For the Year Ended September 30, 2019

	Business-Type Activities
	Enterprise Fund
	Utility
	Fund
	<hr/>
OPERATING REVENUES:	
Grant revenue	\$ 101,835
Charges for services:	
Utility fees	1,048,350
Other Fees	935
Total Operating Revenues	<hr/> 1,151,120 <hr/>
OPERATING EXPENSES:	
Personal services	538,971
Contractual services	117,552
Consumable supplies	372,030
Depreciation expense	390,206
Pension expense	92,023
Total Operating Expenses	<hr/> 1,510,782 <hr/>
Operating Income (Loss)	<hr/> (359,662) <hr/>
NON-OPERATING REVENUES (EXPENSES)	
Property Taxes	25,895
Interest income	1,879
Interest expense	(42,892)
Total Non-operating Revenues (Expenses)	<hr/> (15,118) <hr/>
Net Income (Loss) Before Operating Transfers	<hr/> (374,780) <hr/>
OPERATING TRANSFERS:	
Operating Transfers in	395,440
Net Operating Transfers	<hr/> 395,440 <hr/>
Change in Net Position	<hr/> 20,660 <hr/>
Net Position - Beginning	<hr/> 3,339,177 <hr/>
Net Position - Ending	\$ <hr/> 3,359,837 <hr/>

TOWN OF TUNICA, MISSISSIPPI
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the Year Ended September 30, 2019

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Utility</u>
	<u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 1,048,350
Cash received from grant revenues	101,835
Other income	935
Payments to employees for services	(593,583)
Payments to suppliers for goods and services	(494,703)
Net Cash Provided (Used) by Operating Activities	<u>62,834</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers, net	395,440
Net Cash Provided (Used) by Noncapital Financing Activities	<u>395,440</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest income	1,879
Acquisition of property and equipment	(163,010)
Principal payments on long-term debt	(256,167)
Interest paid on bonds, loans and capital leases	(43,496)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(460,794)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,520)
Cash and Cash Equivalents, October 1	<u>258,348</u>
Cash and Cash Equivalents, September 30	<u>\$ 255,828</u>
RECONCILIATION OF OPERATING INCOME TO NET	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (359,662)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	390,206
(Increase) decrease in accounts receivable	(11,058)
(Increase) decrease in interfund receivables	(155)
(Increase) decrease in deferred outflows of resources	(23,284)
Increase (decrease) in accounts payable and accrued expenses	12,237
Increase (decrease) in customer deposits	(1,653)
Increase (decrease) in compensated absences	650
Increase (decrease) in net pension liability	86,395
Increase (decrease) in deferred inflows of resources	(30,842)
Total adjustments	<u>422,496</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 62,834</u>

TOWN OF TUNICA, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 44,787
Due from other funds	1,847
	<hr/>
Total Assets	<u><u>46,634</u></u>
LIABILITIES	
Amounts held in custody for others	15,762
Due to other funds	30,872
	<hr/>
Total Liabilities	<u><u>\$ 46,634</u></u>

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

Note 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity.

Town of Tunica, Mississippi (the Town) is a political subdivision of the State of Mississippi. The Town is governed by an elected five-member Board of Aldermen. Accounting principles generally accepted in the United States of America require Town of Tunica to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the Town. There are currently no outside organizations that should be included as component units of the Town's reporting entity.

B. Basis of Presentation.

The Town'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 Statement of Activities display information concerning the Town as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the Town 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 Town's governmental activities and business-type 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 Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements:

Fund financial statements of the Town are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund balances/net position, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Fund and Fiduciary Fund (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 Town. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

Governmental fund 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 Town 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.

Fire Fund – This fund is used to account for monies from specific revenue sources that are restricted for fire protection.

The Town reports the following major Enterprise Fund:

Utility Fund – This fund is used to account for and report on water, sewer and garbage revenues and expenditures.

Additionally, the Town reports the following fund types:

GOVERNMENTAL FUND TYPES

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

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the Town has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

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

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 Town 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 Town 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.

F. Receivables.

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

G. Interfund 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." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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 applicable governmental or business-type activities column in the government-wide financial statements. The Town did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets. 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, costs 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.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the Town’s financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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 and Proprietary Funds. 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 following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

I. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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 outflows related to pensions – This amount represents the Town’s proportionate share of the deferred outflows of resources reported by the pension plan in which the Town participates. See Note 9 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.

Deferred inflows related to pensions – This amount represents the Town’s proportionate share of the deferred inflows of resources reported by the pension plan in which the Town participates. See Note 9 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 unmatured 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 and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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 (committed, assigned or unassigned) resources are available, it is the Town's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Town's general policy to spend committed resources first, followed by assigned amounts, 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 nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the Town:

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.

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

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

Fund Balance Flow Assumption:

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

M. Property Tax Revenues:

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the Town. 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 Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

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

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.

O. Compensated Absences.

Full-time permanent employees are granted vacation benefits of two weeks after one year of service. Vacation time varies with length of service with a maximum of four weeks. Any unused vacation time is rolled over to sick leave. Vacation time cannot be carried over. Sick leave accrues to full-time permanent employees at one day per month. All sick leave must be used or it is rolled over to retirement credit. 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 and

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

Note 2: Budget Policy

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to August 1st, the Town Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
- B. Public notice is given of the Town's budget meetings being open to the public, so that public hearings are conducted at Town Hall to obtain taxpayer comments.
- C. Prior to September 15th, the budget is legally enacted through adoption by the Mayor and Board of Aldermen.
- D. The budget is formally revised during the year and properly amended by the Mayor and Board of Aldermen.
- E. Budgetary comparisons are employed by management as a management control device during the year for all funds.
- F. Appropriations lapse at the end of each fiscal year. Mississippi laws require that municipalities budget revenue and expenditures on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the statement of revenues, expenditures, and fund balance be prepared according to the modified-accrual basis (GAAP). The major reconciling items between the budgetary and GAAP presentations are presented on the "budget to actual" statements.

Note 3: Deposits

The carrying amount of the Town's total deposits with financial institutions at September 30, 2019, was \$3,449,786 and the bank balance was \$3,478,154. 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).

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town 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 (FDIC). 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 Town.

Interest Rate Risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The Town does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk.

Note 4: Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2019:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Utility Fund	General Fund	25,895
Agency Funds	Other Governmental Funds	1,847
General Fund	Agency Funds	29,903
Utility Fund	Agency Funds	969
Total		\$ <u>58,614</u>

The receivables due to and from the Agency Funds represent errors in reimbursement to and from the clearing account. The receivable to Utility Fund from General Fund represents tax collections not yet paid to the fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Fire Fund	General Fund	\$ 4,621
Total		\$ <u>4,621</u>

The principal purpose of the advances from Fire Fund to General Fund was for repairs shared by both funds allocated as a due to/due from in the prior year that has not yet been repaid.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 8,000
Utility Fund	General Fund	395,440
Total		<u>\$ 403,440</u>

The principal purpose of the transfers from General Fund to Other Governmental Funds was to provide funding for certain expenditures in that fund. The principal purpose of the transfers from General Fund to Utility Fund was to reallocate sales tax revenues to the notes guaranteed by sales tax revenue.

Note 5: Intergovernmental Receivables

Intergovernmental receivables at September 30, 2019, consisted of the following:

Governmental Activities:	
Gaming revenue	\$ 255,466
Sales tax	53,583
Other receivables	<u>3,749</u>
Total Governmental Funds	<u>312,798</u>
Net Agency Fund Receivables/Payables	<u>28,056</u>
Total Governmental Activities	<u>\$ 340,854</u>
Business-type Activities:	
Net Agency Fund Receivables/Payables	<u>\$ 969</u>

Note 6: Restricted Assets

The balance of the restricted assets account in the enterprise fund is as follows:

Public Utility meter deposits	<u>\$ 76,277</u>
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TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

Note 7: Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2019:

	Balance Oct. 1, 2018	Additions	Deletions	Adjustments	Balance Sept. 30, 2019
GOVERNMENTAL ACTIVITIES:					
Land	\$ 1,122,609	-	-	-	1,122,609
Construction in Progress	6,280	-	-	(6,280)	-
Total Non-Depreciable Capital Assets	<u>1,128,889</u>	<u>-</u>	<u>-</u>	<u>(6,280)</u>	<u>1,122,609</u>
Buildings	3,553,949	-	-	-	3,553,949
Improvements	1,356,369	-	-	-	1,356,369
Machinery & Equipment	2,594,531	126,795	-	-	2,721,326
Furniture & Fixtures	622,885	-	-	-	622,885
Infrastructure	1,039,180	196,539	-	6,280	1,241,999
Total Depreciable Capital Assets	<u>9,166,914</u>	<u>323,334</u>	<u>-</u>	<u>6,280</u>	<u>9,496,528</u>
Accumulated Depreciation					
Buildings	1,368,958	71,079	-	-	1,440,037
Improvements	945,456	46,411	-	-	991,867
Machinery & Equipment	2,003,143	121,760	-	-	2,124,903
Furniture & Fixtures	517,340	8,762	-	-	526,102
Infrastructure	784,357	62,100	-	-	846,457
Total Acc. Depreciation	<u>5,619,254</u>	<u>310,112</u>	<u>-</u>	<u>-</u>	<u>5,929,366</u>
Total Depreciable Capital Assets, Net	<u>3,547,660</u>	<u>13,222</u>	<u>-</u>	<u>6,280</u>	<u>3,567,162</u>
Governmental activities capital assets, net \$	<u>4,676,549</u>	<u>13,222</u>	<u>-</u>	<u>-</u>	<u>4,689,771</u>
	Balance Oct. 1, 2018	Additions	Deletions	Adjustments	Balance Sept. 30, 2019
BUSINESS-TYPE:					
Land	\$ 13,500	-	-	-	13,500
Total Non-Depreciable Capital Assets	<u>13,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,500</u>
Water and Sewer Infrastructure	12,663,818	93,984	-	-	12,757,802
Machinery & Equipment	200,862	69,026	-	-	269,888
Vehicles	624,561	-	-	-	624,561
Total Depreciable Capital Assets	<u>13,489,241</u>	<u>163,010</u>	<u>-</u>	<u>-</u>	<u>13,652,251</u>
Accumulated Depreciation					
Water and Sewer Infrastructure	7,392,753	327,165	-	-	7,719,918
Machinery & Equipment	159,546	45,965	-	-	205,511
Vehicles	348,272	17,076	-	-	365,348
Total Acc. Depreciation	<u>7,900,571</u>	<u>390,206</u>	<u>-</u>	<u>-</u>	<u>8,290,777</u>
Total Depreciable Capital Assets	<u>5,588,670</u>	<u>(227,196)</u>	<u>-</u>	<u>-</u>	<u>5,361,474</u>
Business-type capital assets, net \$	<u>5,602,170</u>	<u>(227,196)</u>	<u>-</u>	<u>-</u>	<u>5,374,974</u>

Adjustments to capital assets were made to move completed construction projects.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
Municipal Court	\$ 1,496
Administrative	10,821
Municipal Complex	30,097
Shop Maintenance	1,476
Police Department	19,889
Fire Department	60,975
Streets	115,385
Special Projects	23,968
Urban renewal	46,005
Total governmental activities depreciation expense	<u>\$ 310,112</u>
	<u>Amount</u>
Business-type:	
Sanitation	\$ 43,021
Water and sewer	347,185
Total business-type depreciation expense	<u>\$ 390,206</u>

Note 8: Operating Leases

As Lessor:

As of February 18, 2016, the Town entered into a non-cancellable operating lease agreement, which does not give rise to property rights, with AT&T for the lease of Town owned land for the purpose of providing a space for a cellular phone tower. The operating lease stipulated that the lease would pay approximately \$1,090 per month in lease payments commencing February 18, 2016, for a term of five years.

As of April 1, 2016, the Town entered into a non-cancellable operating lease agreement, which does not give rise to property rights, with C-Spire Wireless for the lease of Town owned land for the purpose of providing space for a cellular phone tower. The operating lease stipulated that the lease would pay approximately \$880 per month in lease payments commencing April 1, 2016, for a term of five years.

As of April 1, 2017, the Town entered into a non-cancellable operating lease agreement, which does not give rise to property rights, with the United States Postal Service for the lease of the post office building owned by the Town for the purpose of providing postal services. The operating lease stipulated that the lease would pay approximately \$1,085 per month in lease payments commencing April 1, 2017, for a term of five years. On April 1, 2022, the monthly lease payments will increase to approximately \$1,353 per month for an additional five years.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

The Town receives income from property it leases under noncancellable operating leases. Total income from such leases was \$36,624 for the year ended September 30, 2019. The future minimum lease receivables for these leases are as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2020	\$ 36,624
2021	22,624
2022	14,610
2023	16,236
2024	16,236
2025-2027	40,590
Total	<u>\$ 146,920</u>

Note 9: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. Town of Tunica, 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) 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

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

(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, 2019, PERS members were required to contribute 9% of their annual covered salary, and the Town is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2019 was 17.40% of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Town's contributions (employer share only) to PERS for the years ending September 30, 2019, 2018 and 2017 were \$199,180, 185,428, and \$177,860, 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, 2019, the Town reported a liability of \$3,336,138 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The Town's proportionate share used to calculate the September 30, 2019 net pension liability was 0.018964 percent, which was based on a measurement date of June 30, 2019. This was an increase of 0.000638 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the Town recognized pension expense of \$306,742. At September 30, 2019, the Town 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	\$ 1,907	3,363
Net difference between projected and actual earnings on pension plan investments	-	28,592
Changes of assumptions	32,676	-
Changes in the proportion and differences between the Town's contributions and proportionate share of contributions	123,973	19,561
Town contributions subsequent to the measurement date	48,020	-
Total	\$ 206,576	51,516

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

\$48,020 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending September 30:</u>	<u>Amount</u>
2020	\$ 54,462
2021	5,982
2022	31,368
2023	15,228
Total	\$ <u>107,040</u>

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80-119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75-119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The long-term expected rate of return on pension plan investments was determined using a log-normal 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 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, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.25
Total	<u>100.00 %</u>	

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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 (17.40%). 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 Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Town'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:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of the net pension liability	\$ 4,385,474	3,336,138	2,470,012

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

Note 10: Long-term Debt

Debt outstanding as of September 30, 2019, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-Type Activities:			
A. Other Loans:			
SRFL 2002- Lagoon	\$ 300,067	3.00%	09/2021
SRFL 2008- Lagoon	893,327	2.75%	02/2028
SRFL 2013- West Well	306,966	1.95%	03/2033
Total Other Loans	\$ <u>1,500,360</u>		

Pledge of Future Revenues - The town has pledged future sales tax revenues to repay the \$1,500,360 in water and sewer loans. Proceeds from the loans provided financing for major water and sewer upgrades. The loans are paid solely from sales tax revenues and are payable through March 1, 2033. Annual principal and interest payments are expected to require less than 27% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,660,639. Principal and interest paid for the current year and total sales tax revenue were \$299,663 and \$403,693, respectively.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

Business-type Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2020	\$ 263,508	36,155
2021	271,063	28,601
2022	121,922	22,975
2023	125,146	19,750
2024	128,458	16,439
2025-2029	502,773	33,267
2030-2033	87,490	3,092
Total	<u>\$ 1,500,360</u>	<u>160,279</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the Town 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 Town, according to the then last completed assessment for taxation. As of September 30, 2019, the Town had no general obligation debt. The Town's water and sewer loans are secured by sales tax revenues and are not considered to be general obligation debt. Therefore, those loans are not subject to legal debt margin requirements.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2019:

	Balance Oct. 1, 2018	Additions	Reductions	Adjustments	Balance Sept. 30, 2019	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 11,185	4,977			16,162	-
Total	<u>\$ 11,185</u>	<u>4,977</u>	<u>-</u>	<u>-</u>	<u>16,162</u>	<u>-</u>
Business-type activities:						
Compensated absences	\$ 14,445	650	-		15,095	-
Other loans	1,756,527	-	256,167	-	1,500,360	263,508
Total	<u>\$ 1,770,972</u>	<u>650</u>	<u>256,167</u>	<u>-</u>	<u>1,515,455</u>	<u>263,508</u>

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

Note 11: Contingencies

Federal Grants - The Town 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

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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 Town. No provision for any liability that may result has been recognized in the Town's financial statements.

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

Note 12: Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of \$459,541 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$33,614 resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$110,990 balance of the deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years. The \$36,062 balance of the deferred inflow of resources related to pension at September 30, 2019, will be recognized in pension expense over the next four years.

The business-type activities' unrestricted deficit net position amount of (\$514,777) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$14,406 resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$47,566 balance of the deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years. The \$15,454 balance of the deferred inflow of resources related to pension at September 30, 2019, will be recognized in pension expense over the next four years.

Note 13: Tax Abatements

For the fiscal year ended September 30, 2019, the Town of Tunica had no agreements to abate taxes with any entity within the Town.

Note 14: 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 Town of Tunica, Mississippi evaluated the activity of the Town through August 7, 2020 and determined that the following subsequent event has occurred that requires disclosure in the notes to the financial statements.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

SUBSEQUENT EVENT DISCLOSURE FOR COVID-19

Management is continuing to evaluate the impact of the coronavirus disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020, on the Town's operations. This situation has depressed the tax bases and other areas in which the Town received revenue during fiscal year 2019. As such, our financial position, operations, and cash flows will be negatively impacted for the fiscal year 2020 and may hinder our ability to meet the needs of our constituents. Management has and will take the necessary actions to marginalize the disruption caused by the outbreak. The specific impact on our financial position, operations, and cash flows is not readily determinable as of the date of these financial statements, therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

TOWN OF TUNICA, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF TUNICA, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) – GENERAL FUND
For the Year Ended September 30, 2019

UNAUDITED

	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP	Favorable
			Basis	(Unfavorable)
REVENUES:				
Ad Valorem Taxes	\$ 240,515	236,515	201,544	(34,971)
Licenses, Permits & Franchise Fees	59,500	59,500	60,146	646
Grants & Intergovernmental	2,237,000	2,229,000	2,245,831	16,831
Fines & Forfeits	35,000	35,000	68,952	33,952
Rental Income	23,000	23,000	24,984	1,984
Interest Income	5,500	5,500	22,991	17,491
Miscellaneous Revenues	7,650	7,650	1,785	(5,865)
Total Revenues	<u>2,608,165</u>	<u>2,596,165</u>	<u>2,626,233</u>	<u>30,068</u>
EXPENDITURES:				
Municipal Court	114,763	114,763	126,786	(12,023)
Administrative	474,780	474,780	428,645	46,135
Municipal Complex	35,150	35,150	23,051	12,099
Shop	41,300	41,300	37,624	3,676
Police	653,620	653,620	687,269	(33,649)
Fire	150,000	150,100	129,133	20,967
Streets	725,734	725,734	831,925	(106,191)
Special Projects	36,500	71,500	69,909	1,591
Main Street	43,000	43,000	37,317	5,683
Total Expenditures:	<u>2,274,847</u>	<u>2,309,947</u>	<u>2,371,659</u>	<u>(61,712)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in		45,000		(45,000)
Transfers Out	(285,000)	(330,000)	(378,468)	(48,468)
Total other financing sources (uses)	<u>(285,000)</u>	<u>(285,000)</u>	<u>(378,468)</u>	<u>(93,468)</u>
Net Change in Fund Balance	<u>\$ 48,318</u>	<u>1,218</u>	<u>(123,894)</u>	<u>(125,112)</u>

TOWN OF TUNICA, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) – FIRE FUND
For the Year Ended September 30, 2019

UNAUDITED

	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP	Favorable
			Basis	(Unfavorable)
REVENUES:				
Grants & Intergovernmental	\$ 85,600	85,600	42,590	(43,010)
Interest Income	1,100	1,100	4,347	3,247
Total Revenues	<u>86,700</u>	<u>86,700</u>	<u>46,937</u>	<u>(39,763)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	(75,000)	(75,000)	-	75,000
Total other financing sources (uses)	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>	<u>75,000</u>
Net Change in Fund Balance	<u>\$ 11,700</u>	<u>11,700</u>	<u>46,937</u>	<u>35,237</u>

TOWN OF TUNICA, MISSISSIPPI
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE PENSION LIABILITY
LAST 10 FISCAL YEARS*
For the Year Ended September 30, 2019

UNAUDITED

	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	0.018964%	0.018326%	0.017757%	0.018600%	0.019840%
Town's proportionate share of the net pension liability (asset)	\$ 3,336,138	3,048,158	2,951,816	3,322,424	3,066,873
Covered payroll	\$ 1,235,096	1,170,318	1,139,104	1,190,020	1,239,477
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	270.11%	260.46%	259.13%	279.19%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the twelve months ended at 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 Town has only presented information for the years in which information is available.

TOWN OF TUNICA, MISSISSIPPI
SCHEDULE OF TOWN CONTRIBUTIONS
LAST 10 FISCAL YEARS*
For the Year Ended September 30, 2019

UNAUDITED

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 199,180	185,428	177,860	183,403	193,196
Contributions in relation to the contractually required contribution	<u>199,180</u>	<u>185,428</u>	<u>177,860</u>	<u>183,403</u>	<u>193,196</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 1,235,719	1,177,322	1,129,273	1,164,459	1,226,640
Contributions as a percentage of covered payroll	16.12%	15.75%	15.75%	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 Town has only presented information for the years in which information is available.

Note A - The 2019 contributions as a percentage of covered payroll will be an average of the former contribution rate of 15.75% and the current contribution rate of 17.40%

TOWN OF TUNICA, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2019

UNAUDITED

A. Budgetary Information

Statutory requirements dictate how and when the Town's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Town Clerk, using historical and anticipated fiscal data, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Town Council that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Fire Fund
Budget (Cash Basis)	\$ (123,894)	46,937
Increase (Decrease)		
Net adjustments for revenue accruals	(53,154)	(1,547)
Net adjustments for expenditure accruals	(27,329)	
GAAP Basis	\$ <u>(204,377)</u>	<u>45,390</u>

TOWN OF TUNICA, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2019

UNAUDITED

Pension Schedules

A. Changes of assumptions.

2015

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2019

UNAUDITED

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

B. Changes in benefit provisions.

2016

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.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

TOWN OF TUNICA, MISSISSIPPI

OTHER INFORMATION

TOWN OF TUNICA, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
September 30, 2019

Name	Position	Bond Amount	Expiration Date	Surety Company
Charles M. Cariker	Mayor	50,000	6/30/2021	RLI Insurance Company
John A. Graves, Jr.	Ward 1 Alderman	100,000	6/30/2021	RLI Insurance Company
Bradford J. Beach	Ward 2 Alderman	100,000	6/30/2021	RLI Insurance Company
Andrew T. Dulaney	Ward 3 Alderman	100,000	6/30/2021	RLI Insurance Company
Brooks Taylor	Ward 4 Alderman	100,000	6/30/2021	RLI Insurance Company
Billy Willis	Ward 5 Alderman	100,000	6/30/2021	RLI Insurance Company
Kathryn C. Pennock	Town Clerk	50,000	5/24/2020	RLI Insurance Company
Charles N. Hailey	Deputy Town Clerk	50,000	1/19/2020	Western Surety Company
Michael S. Nichols	Police Chief	50,000	5/3/2020	Western Surety Company
Christy G. Young	Municipal Court Clerk	50,000	8/7/2020	RLI Insurance Company
Mary Green	Utility/Water Clerk	50,000	9/14/2020	Western Surety Company
Ellen Graves	Utility/Water Clerk	25,000	9/9/2020	RLI Insurance Company
Thomas J. Robinson, III	Public Works Administrator	50,000	3/22/2021	RLI Insurance Company

TOWN OF TUNICA, MISSISSIPPI

SPECIAL REPORTS

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**INDEPENDENT AUDITORS' 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**

Honorable Mayor and Town Council
Town of Tunica
Tunica, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tunica, Mississippi (the Town), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 7, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Tunica, 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 the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Tunica, Mississippi'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Tunica, Mississippi's financial statements are free from 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 accounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Town of Tunica, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated August 7, 2020, included within this document.

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, Baird & Clarke, PLLC

Bridgers, Goodman, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi

August 7, 2020

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Honorable Mayor and Town Council
Town of Tunica
Tunica, Mississippi

In planning and performing our audit of the financial statements of Town of Tunica, Mississippi for the year ended September 30, 2019, we considered Town of Tunica, 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 Town of Tunica, 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 Town's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 7, 2020, on the financial statements of Town of Tunica, Mississippi.

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

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

1. The Town does not maintain an inventory of fixed assets on its computer system and failed to conduct an annual inventory of the assets.

Repeat Finding Yes, 2018

Criteria The Town should maintain a sufficiently detailed fixed asset listing.

Condition During our audit procedures, we found that the Town failed to capitalize a number of assets and while they did appropriately dispose of certain assets, these assets were not adequately identified as the Town does not maintain a fixed asset listing. The Town has begun setting a system up, but it is currently insufficient and incomplete.

Cause	The Town has not completed a comprehensive inventory and listing of the assets owned by the Town.
Effect	Without a properly functioning inventory system, compliance cannot be maintained and capital assets will not be accurately recorded in the governmental activities.
Recommendation	The Town should follow the system set forth in the Municipal Audit and Accounting Guide Section II C "Property Accounting System". This guide coupled with the Municipal Fixed Asset Manual should be employed and followed by the Town.
Response	We are continually working on utilizing our current software and implementing new policies for maintaining and inventory for fixed assets and conducting an annual inventory of assets in accordance with the Municipal Audit and Accounting Guide Section II "Property Accounting System".
2.	<u>The Payroll Clerk should ensure that all appropriate documentation is placed in the employee file.</u>
Repeat Finding	No
Criteria	The Town is responsible for establishing and maintaining an effective system of internal controls pertaining to the documentation in employee files.
Condition	During the course of our test work, we noted multiple instances of employee files that did not contain completed I-9, Employment Eligibility Verification forms as well as incomplete or incorrect withholding forms.
Cause	The employee files are not being reviewed regularly to identify files without proper documentation.
Effect	Town employees could be improperly paid for unauthorized work without appropriate documentation.
Recommendation	The Town should maintain a complete employee file system which would ensure that the Town is in compliance with State and Federal employee documentation requirements.
Response	We have made corrections to the employee files with incomplete or incorrect withholding forms. We have also implemented a system to ensure our employee file system is in compliance with state and federal employee documentation requirements. We are also reviewing all active employee files, as time permits with limited staff, to ensure all proper documentation is in place.
3.	<u>Establish and maintain compliance with state statutes applicable to a petty cash system.</u>
Repeat Finding	No
Criteria	The Town is responsible for complying with Section 7-7-60, Miss. Code Ann. (1972), which establishes guidelines for the proper use of a petty cash system.
Condition	During the course of our test work, we determined that the petty cash system of the Town does not follow the guidelines set forth in Section 7-7-60, Miss. Code Ann. (1972).
Cause	The Town has failed to establish and maintain a petty cash system to comply with the requirements of Section 7-7-60, Miss Code Ann. (1972) leading to inadequate controls and procedures over petty cash.

Effect	The Town has inadequate controls and procedures in place for appropriate usage and monitoring of petty cash.
Recommendation	The Town should follow the prescribed regulations set forth by Section 7-7-60, Miss Code Ann. (1972), to establish and operate the petty cash fund to adhere to regulations for disbursement and replenishment of the petty cash.
Response	We have implemented a new policy to maintain adequate controls over the petty cash system that is in compliance with the requirements of Section 7-7-60, Miss. Code Ann. (1972). The petty cash drawer has been replenished to \$250 per Board approval and is documented in the minutes.
4.	<u>Ensure Compliance with State Law over the Bidding Requirements</u>
Repeat Finding	No
Criteria	Section 31-7-13(b), <i>Miss. Code Ann (1972)</i> states, "Purchases which involve an expenditure of more than five thousand dollars (\$5,000.00) but not more than Fifty Thousand Dollars (\$50,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained."
Condition	During the course of our test work, we noted several instances in which purchases were made without receiving two (2) or more competitive bids.
Cause	The Town has failed to comply with bidding requirements on multiple purchases.
Effect	The Town may be overpaying for goods or services by failing to obtain competitive bids. Additionally, failure to obtain two (2) or more competitive quotes could result in the loss of public funds.
Recommendation	The Town should follow the prescribed regulations set forth by Section 731-7-13(b), Miss Code Ann. (1972), and obtain two (2) or more competitive quotes for purchases greater than \$5,000 but not greater than \$50,000.
Response	We understand that we must obtain 2 quotes for purchases over \$5,000 and will do so moving forward. Should a purchase be for an item that is specific to a certain water/waste water monitoring system, machine or software, we will document the purchase order and invoice.
5.	<u>The Town has not maintained internal control and compliance with Public Purchasing Laws</u>
Repeat Finding	No
Criteria	The Town adopted the State Public Purchasing Laws as part of their purchasing system. Thus, the Town 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 Town 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 and would include the use of purchase requisitions, purchase orders, and receiving reports. During our test work we

noted several instances where purchase orders were issued after order and receipt of goods.

Cause	Failure to comply with the adopted Purchasing Procedures could result in overpayment for goods or services, fraud, misappropriation, or loss of public funds.
Effect	The Town 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 Town should establish and maintain an adequate internal control system which would ensure that the Town is in compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.
Response	We have instructed all employees who are authorized for purchases that a purchase order must be obtained prior to or time of purchases and given to the vendor. We have also instructed vendors that all invoices for the Town of Tunica must have a purchase order number or invoice will not be paid. Employees have been instructed to contact the mayor for emergency purchases during non-business hours. A purchase order will be issued the following business day and will include notation as to why the goods or services were required.

Town of Tunica'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 Town Council, 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, Baird & Clarke, PLLC

Bridgers, Goodman, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi

August 7, 2020

TOWN OF TUNICA, MISSISSIPPI

SCHEDULE OF FINDINGS AND RESPONSES

**TOWN OF TUNICA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2019**

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unmodified
Business-type activities	Unmodified
General Fund	Unmodified
Fire Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:
 - a. Material weaknesses identified? No

 - b. Significant deficiencies identified? None reported

3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

