



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

TOWN OF TUNICA, MISSISSIPPI

**FINANCIAL REPORT WITH
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED SEPTEMBER 30, 2010

CONTENTS

	Page
FINANCIAL SECTION:	
Independent Auditor's Report	1-2
Management's Discussion and Analysis (Unaudited)	3-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balance	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	13
Proprietary Fund:	
Statement of Net Assets	14
Statement of Revenues, Expenses and Changes in Fund Net Assets	15
Statement of Cash Flows	16
Fiduciary Fund:	
Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets	17
Notes to Basic Financial Statements	18-38
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues and Expenditures compared to Budget (non-gaap budget basis) - General Fund (unaudited)	39-40
Note to Budgetary Comparison Schedule - General Fund	41
COMBINING FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION:	
Combining Balance Sheet - Nonmajor Governmental Funds	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	43
Schedules of Revenues and Expenditures compared to Budget - Nonmajor Governmental Funds (Unaudited)	44
Schedule of Revenues and Expenditures compared to Budget - Proprietary Fund (Unaudited)	45
Schedule of Property Taxes (Unaudited)	46
Schedule of Surety Bonds (Unaudited)	47
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	48-49

Tel. (901) 755-1351

Fax (901) 755-1352

BELL & ASSOCIATES
Certified Public Accountants
Timber Creek Drive, Suite 4
Cordova, TN 38018

Mailing address:

P. O. BOX 381646
Germantown, TN 38183

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Aldermen
Town of Tunica, Mississippi

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, as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Tunica, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 the Town of Tunica, Mississippi, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2011 on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 39 through 41, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Tunica, Mississippi's basic financial statements. The combining and individual nonmajor fund financial statements, and budget comparison schedules of nonmajor funds and the proprietary fund, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The budget comparison schedules of nonmajor funds and the proprietary fund and other schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In connection with our audit, nothing came to our attention that caused us to believe that the Town of Tunica, Mississippi had not complied with the requirements of the Office of the State Auditor, as set forth in the Municipal Compliance Questionnaire.

Certified Public Accountants
January 31, 2011

TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2010

As management of Town of Tunica, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with the Town's financial statements which immediately follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

Government-wide:

The assets of the Town of Tunica exceeded its liabilities at the close of the fiscal year by \$11,574,151 (net assets). Of this amount, \$3,101,984 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies. Governmental activities' net assets decreased during the year by \$279,921 while business-type activities net assets decreased by \$130,587 resulting in a total net assets decrease of \$410,508.

Fund Level:

As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,623,799. Of this amount \$3,104,979 is unreserved and available for use within the Town's designation and policies. The remaining balance of \$518,820 was reserved for specific purposes. The governmental fund balance sheet appears on page 10. The proprietary funds reported total net assets of \$2,623,968.

Long-term Debt:

The Town's debt payable decreased during the year by \$376,395 to a total of \$3,877,007. The Town incurred no new debt in the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the Town's net assets changed during the fiscal year. All changes in net assets are reported when 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 the future fiscal periods.

The financial statements include the activities of its component unit, Tunica Main Street, Inc. and separate financial statements have been issued.

TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2010

Notes to the Financial Statements - The notes provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in the basic financial statements section of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information immediately follows the notes and consists of the budgetary comparison schedule of the general fund.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information.

Schedules of Revenues and Expenditures compared to Budget for non-major governmental funds, and the proprietary fund, which are not required supplementary information under GASB 34, are presented as additional information following the combining statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Town of Tunica, assets exceeded liabilities by \$11,574,151 as of September 30, 2010.

The largest portion of the Town's net assets \$7,970,990 reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the Town's investment in its 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, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's net assets \$501,177 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$3,101,984 may be used to meet the government's ongoing obligation to citizens and creditors. Total net assets of governmental activities decreased by \$279,921 from \$9,230,104 to \$8,950,183.

The following table provides a summary of the Town's net assets at September 30:

SUMMARY OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 3,744,273	\$ 3,887,680	\$ 102,326	\$ 152,527	\$ 3,846,599	\$ 4,040,207
Capital Assets	5,928,956	6,212,430	5,919,041	6,244,703	11,847,997	12,457,133
Total Assets	9,673,229	10,100,110	6,021,367	6,397,230	15,694,596	16,497,340
Current and other liabilities	246,046	263,006	391,106	372,668	637,152	635,674
Long term liabilities	477,000	607,000	3,006,293	3,270,007	3,483,293	3,877,007
Total Liabilities	723,046	870,006	3,397,399	3,642,675	4,120,445	4,512,681
Net Assets:						
Invested in capital assets, net of related debt	5,321,956	5,484,430	2,649,034	2,719,301	7,970,990	8,203,731
Restricted	501,177	389,048	--	--	501,177	389,048
Unrestricted	3,127,050	3,356,626	(25,066)	35,254	3,101,984	3,391,880
Total Net Assets	\$ 8,950,183	\$ 9,230,104	\$ 2,623,968	\$ 2,754,555	\$ 11,574,151	\$ 11,984,659

TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2010

The following table provides a summary of the Town's changes in net assets for year ended September 30.

SUMMARY OF CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2008
Program Revenues:						
Charges for services	\$ 8,168	\$ 11,835	\$ 320,668	\$ 311,959	\$ 328,836	\$ 323,794
Licenses and permits	9,437	8,247	--	--	9,437	8,247
Police fines	24,877	34,199	--	--	24,877	34,199
Rent	123,346	114,687	--	--	123,346	114,687
Contributions and grants	120,902	130,066	--	--	120,902	130,066
Total program revenues	286,730	299,034	320,668	311,959	607,398	610,993
General Revenues:						
Gaming taxes	2,786,720	3,027,253	--	--	2,786,720	3,027,253
Sales tax	510,777	488,656	--	--	510,777	488,656
Franchise taxes	68,714	72,214	--	--	68,714	72,214
Gasoline taxes	3,183	3,183	--	--	3,183	3,183
Liquor taxes	3,150	4,050	--	--	3,150	4,050
Nuclear plant	21,180	22,035	--	--	21,180	22,035
Miscellaneous	588	2,000	--	--	588	2,000
Interest	38,176	56,671	2,193	1,960	40,369	58,631
Total general revenues	3,432,488	3,676,062	2,193	1,960	3,434,681	3,678,022
Total revenues	3,719,218	3,975,096	322,861	313,919	4,042,079	4,289,015
Expenses:						
Municipal court	107,003	112,097	--	--	107,003	112,097
Administrative	458,196	571,140	--	--	458,196	571,140
Municipal complex	34,254	39,352	--	--	34,254	39,352
Shop maintenance	174,286	197,629	--	--	174,286	197,629
Police department	771,575	760,734	--	--	771,575	760,734
Fire department	276,100	271,214	--	--	276,100	271,214
Parks and recreation	114,516	115,334	--	--	114,516	115,334
Streets	700,150	751,058	--	--	700,150	751,058
Animal control	22,083	16,452	--	--	22,083	16,452
Library	38,300	36,000	--	--	38,300	36,000
Main Street	261,086	239,674	--	--	261,086	239,674
Urban Renewal	56,586	101,495	--	--	56,586	101,495
Interest and fees on debt	39,096	45,041	100,724	106,399	139,820	151,440
Water, Sewer and Sanitation	--	--	1,298,632	1,250,022	1,298,632	1,250,022
Total expenses	3,053,231	3,257,220	1,399,356	1,356,421	4,452,587	4,613,641
Increase (decrease) before transfers	665,987	717,876	(1,076,495)	(1,042,502)	(410,508)	(324,626)
Transfers	(945,908)	(983,374)	945,908	983,374	--	--
Change in net assets	(279,921)	(265,498)	(130,587)	(59,128)	(410,508)	(324,626)
Net Assets, Beginning	9,230,104	9,495,602	2,754,555	2,813,683	11,984,659	12,309,285
Net assets, Ending	\$ 8,950,183	\$ 9,230,104	\$ 2,623,968	\$ 2,754,555	\$ 11,574,151	\$ 11,984,659

TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2010

Capital assets acquired by governmental activities during the current fiscal year totaled \$31,797. Dispositions were \$25,706. The public utility fund acquired no equipment in the current fiscal year, while dispositions were \$47,415.

Capital assets of governmental activities are recorded and depreciated in the government-wide financial statements under GASB 34. Accumulated depreciation is recorded based on the date of acquisition and the estimated life span of the asset.

Governmental Activities capital assets for the year ended September 30, 2010 totaled \$9,801,322 with accumulated depreciation of \$3,872,366 leaving a net capital asset balance of \$5,928,956.

Business-type activities capital assets for the year ended September 30, 2010 totaled \$11,054,034 with accumulated depreciation of \$5,134,993 leaving a net capital assets balance of \$5,919,041.

**Capital Assets at Year-end
Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,116,609	\$ 1,116,609	\$ 13,500	\$ 13,500	\$ 1,130,109	\$ 1,130,109
Buildings	2,729,980	2,800,633	--	--	2,729,980	2,800,633
Improvements	827,348	880,979	5,780,780	6,090,470	6,608,128	6,971,449
Machinery and equipment	579,950	671,421	124,761	140,733	704,711	812,154
Furniture and fixtures	81,212	97,904	--	--	81,212	97,904
Infrastructure	588,193	637,104	--	--	588,193	637,104
Main Street equipment	5,664	7,780	--	--	5,664	7,780
Total	\$ 5,928,956	\$ 6,212,430	\$ 5,919,041	\$ 6,244,703	\$ 11,847,997	\$ 12,457,133

Additional information on the Town of Tunica's capital assets can be found in note 3.C.

DEBT ADMINISTRATION

A General Obligation (GO) bond is a bond that is backed by the full faith and credit of the Town; and although not required, usually means that a tax levy will be assessed to repay the debt. Bonds issued for the utility system improvements are not subject to this limit.

LIMITS ON DEBT

The Town of Tunica is subject to a general statutory debt limitation under which the Town may not incur general obligation bonded indebtedness in an amount, which shall exceed fifteen percent (15%) of the assessed value of the Town's taxable property.

The Town's current fifteen percent (15%) limit is \$1,405,050 at fiscal year ended September 30, 2010. GO bonds issued by the Town, subject to the 15% debt limit was \$257,000.

State law imposes an overall debt limit on municipalities of twenty percent (20%) of the assessed value of taxable property within the Town. At September 30, 2010, the 20% limit for the Town of Tunica was \$1,873,400. The Town's outstanding debt subject to this limit was \$607,000.

TOWN OF TUNICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2010

At the end of the current fiscal year, the Town of Tunica had a total bonded debt and notes payable of \$3,877,007. Of this amount, \$257,000 comprises bonded debt backed by the full faith and credit of the government and \$350,000 represents bonds secured solely from rental revenue. SRFL loans totaling \$3,214,605 are secured by a pledge of sales tax revenue. The equipment note in the amount of \$55,402 is secured by a garbage truck.

Outstanding Debt at Year End
Bonds and Notes Payable

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General obligations	\$ 257,000	\$ 333,000	\$ --	\$ --	\$ 257,000	\$ 333,000
Revenue Bonds Payable	350,000	395,000	--	--	350,000	395,000
SRFL loans	--	--	3,214,605	3,434,617	3,214,605	3,434,617
Equipment loan	--	--	55,402	90,785	55,402	90,785
Total	\$ 607,000	\$ 728,000	\$ 3,270,007	\$ 3,525,402	\$ 3,877,007	\$ 4,253,402

During the fiscal year, the Town's total debt decreased by \$376,395. See note 3.E. for additional information.

ECONOMICS FACTORS AND NEXT YEAR'S BUDGET AND RATES

Actual budget-basis revenues for 2009-2010 were under budgeted amounts by \$6,344.

In the fiscal year 2010-11 Budget, General Fund revenues are budgeted to be \$3,574,600 before transfers, an increase of \$60,840 from the 2009-10 actual budget-basis revenues of \$3,513,760. Gaming revenues (\$2,800,000) represent 78% of total budgeted revenues. This coming fiscal year, the Town's budget has been based on conservative estimates of gaming, sales and franchise tax receipts. These revenue sources are volatile and subject to changes in the economy.

The General Fund budget for 2010-11 includes \$44,800 in transfers from the fire protection fund. Transfers out include \$38,000 for urban renewal and \$1,000,000 for the water and sewer fund. The budget also includes loan proceeds of \$95,000.

The 2010-11 budget year represents the sixth year with the water fixed nominal rate structure. No fees are charged for sewer or sanitation services. Public Utility revenues are budgeted to be \$630,550 for 2010-11. This represents an increase of \$307,689 from actual prior year results. For the year beginning October 1, 2010, The Town elected to set rates for water usage based on the rates used by Tunica County Utility District. The Public Utility Fund is budgeted to operate at a net deficit of \$1,000,000. This deficit is funded by transfers of gaming revenues and sales tax revenues from the General Fund.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Town's finances. If you have questions about this report or need any additional information, contact the Town of Tunica at P.O. Box 395, Tunica, MS 38676, call (662) 363-2432. For additional information about separately issued financial statements of Tunica Main Street, Inc., contact Tunica Main Street, Inc. at P.O. Box 2654, Tunica, MS 38676, telephone (662) 363-6611.

TOWN OF TUNICA, MISSISSIPPI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 2,626,799	\$ 5,701	\$ 2,632,500
Receivables (net of allowance for doubtful accounts):			
Franchise taxes	19,393	--	19,393
Accounts	18,996	27,776	46,772
Accrued interest	8,491	1,645	10,136
Due from other governments			
Gaming taxes	465,460	--	465,460
Sales taxes	88,190	--	88,190
Fire allocation	750	--	750
Restricted assets:			
Cash	516,194	67,204	583,398
Capital assets (net)	<u>5,928,956</u>	<u>5,919,041</u>	<u>11,847,997</u>
Total assets	<u>\$ 9,673,229</u>	<u>\$ 6,021,367</u>	<u>\$ 15,694,596</u>
Liabilities			
Accounts payable	\$ 50,126	\$ 51,700	\$ 101,826
Accrued expenses	65,920	8,488	74,408
Payable from restricted assets:			
Deposits	--	67,204	67,204
Other liabilities:			
Debt due within one year	130,000	263,714	393,714
Debt due in more than one year	<u>477,000</u>	<u>3,006,293</u>	<u>3,483,293</u>
Total liabilities	<u>\$ 723,046</u>	<u>\$ 3,397,399</u>	<u>\$ 4,120,445</u>
Net assets			
Invested in capital assets, net of related debt	\$ 5,321,956	\$ 2,649,034	\$ 7,970,990
Restricted for:			
Urban renewal debt	59,308	--	59,308
Police expenditures	12,524	--	12,524
Fire equipment	429,345	--	429,345
Unrestricted	<u>3,127,050</u>	<u>(25,066)</u>	<u>3,101,984</u>
Total net assets	<u>\$ 8,950,183</u>	<u>\$ 2,623,968</u>	<u>\$ 11,574,151</u>

See accompanying notes to basic financial statements.

TOWN OF TUNICA, MISSISSIPPI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010

Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Municipal court	\$ 107,003	\$ 24,877	\$ --	\$ --	\$ (82,126)	\$ --	\$ (82,126)
Administrative	458,196	28,994	--	--	(429,202)	--	(429,202)
Municipal Complex	34,254	--	--	--	(34,254)	--	(34,254)
Shop maintenance	174,286	--	--	--	(174,286)	--	(174,286)
Police Department	771,575	--	--	--	(771,575)	--	(771,575)
Fire Department	276,100	--	--	--	(276,100)	--	(276,100)
Parks and Recreation	114,516	--	--	--	(114,516)	--	(114,516)
Streets	700,150	--	--	--	(700,150)	--	(700,150)
Animal control	22,083	--	--	--	(22,083)	--	(22,083)
Library	38,300	--	--	--	(38,300)	--	(38,300)
Main Street	261,086	7,610	10,900	--	(242,576)	--	(242,576)
Fire Protection	--	--	70,252	39,750	110,002	--	110,002
Urban renewal	95,682	104,347	--	--	8,665	--	8,665
Total governmental activities	3,053,231	165,828	81,152	39,750	(2,766,501)	--	(2,766,501)
Business-type activities:							
Water, Sewer and Sanitation	1,399,356	320,668	--	--	--	(1,078,688)	(1,078,688)
Total government	\$ 4,452,587	\$ 486,496	\$ 81,152	\$ 39,750	(2,766,501)	(1,078,688)	(3,845,189)
General revenues:							
Gaming taxes		2,786,720			2,786,720	--	2,786,720
Sales tax		510,777			510,777	--	510,777
Franchise taxes		68,714			68,714	--	68,714
Gasoline taxes		3,183			3,183	--	3,183
Liquor taxes		3,150			3,150	--	3,150
Nuclear plant		21,180			21,180	--	21,180
Miscellaneous		588			588	--	588
Interest		38,176			38,176	2,193	40,369
Transfers		(945,908)			(945,908)	945,908	--
Total general revenues and transfers		2,486,580			2,486,580	948,101	3,434,681
Change in net assets		(279,921)			(279,921)	(130,587)	(410,508)
Net assets, beginning		9,230,104			9,230,104	2,754,555	11,984,659
Net assets, ending		\$ 8,950,183			\$ 8,950,183	\$ 2,623,968	\$ 11,574,151

See accompanying notes to basic financial statements

TOWN OF TUNICA, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	<u>General Fund</u>	<u>Aggregate Remaining Fund Information</u>	<u>Total Governmental Funds</u>
Assets:			
Cash			
Unrestricted	\$ 2,537,472	\$ 89,327	\$ 2,626,799
Restricted	12,524	503,670	516,194
Receivables			
Franchise fees	19,393	--	19,393
Accrued interest	3,116	--	3,116
Rent	--	2,300	2,300
Due from other governments			
Gaming taxes	465,460	--	465,460
Sales taxes	88,190	--	88,190
Fire allocation	--	750	750
Total assets	\$ 3,126,155	\$ 596,047	\$ 3,722,202
Liabilities:			
Accounts payable	\$ 48,376	\$ 1,750	\$ 50,126
Accrued expenses	48,277	--	48,277
Total liabilities	96,653	1,750	98,403
Fund Balances:			
Reserved for:			
Revenue bonds	--	76,951	76,951
Police expenditures	12,524	--	12,524
Fire equipment	--	429,345	429,345
Unreserved, reported in:			
General fund	3,016,978	--	3,016,978
Special revenue funds	--	88,001	88,001
Total fund balances	3,029,502	594,297	3,623,799
Total liabilities and fund balances	\$ 3,126,155	\$ 596,047	\$ 3,722,202

See accompanying notes to basic financial statements.

TOWN OF TUNICA, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Total fund balance - total governmental funds	\$	3,623,799
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.		5,928,956
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Accounts receivable, net of allowance for doubtful accounts of \$562,355.		16,696
Interest receivable		5,375
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		
Due within one year		(130,000)
Due in more than one year		(477,000)
Increase in accrued interest		(17,643)
Net assets of governmental activities	\$	<u>8,950,183</u>

See accompanying notes to basic financial statements.

TOWN OF TUNICA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	<u>General Fund</u>	<u>Aggregate Remaining Fund Information</u>	<u>Total Governmental Funds</u>
REVENUES:			
Licenses and permits	\$ 9,437	\$ --	\$ 9,437
Police fines	24,877	--	24,877
County fire protection millage	--	70,252	70,252
County fire rebate	--	33,585	33,585
Gaming taxes	2,786,720	--	2,786,720
Sales tax	510,777	--	510,777
Franchise taxes	68,714	--	68,714
Gasoline taxes	3,183	--	3,183
Liquor taxes	3,150	--	3,150
Nuclear plant	21,180	--	21,180
Fire protection allocation, state	--	6,165	6,165
General municipal aid	588	--	588
Contributions from sponsors	--	10,900	10,900
Fees and other	558	7,610	8,168
Rent	18,999	104,347	123,346
Interest	37,738	2,377	40,115
Total revenues	<u>3,485,921</u>	<u>235,236</u>	<u>3,721,157</u>
EXPENDITURES:			
Current:			
Municipal Court	106,080	--	106,080
Administrative	450,813	--	450,813
Municipal complex	18,179	--	18,179
Shop maintenance	171,277	--	171,277
Police department	745,294	--	745,294
Fire department	208,989	--	208,989
Parks and recreation	79,214	--	79,214
Streets	579,274	--	579,274
Animal control	22,083	--	22,083
Library grant	38,300	--	38,300
Main Street	--	258,970	258,970
Urban Renewal	--	20,391	20,391
Debt Service:			
Principal	--	121,000	121,000
Interest	--	41,884	41,884
Capital outlay	31,797	--	31,797
Total expenditures	<u>2,451,300</u>	<u>442,245</u>	<u>2,893,545</u>
Excess (deficiency) of revenues over expenditures	1,034,621	(207,009)	827,612
Other Financing Sources (Uses):			
Transfers in	15,652	300,786	316,438
Transfers out	(1,246,694)	(15,652)	(1,262,346)
Total other financing sources (uses)	<u>(1,231,042)</u>	<u>285,134</u>	<u>(945,908)</u>
Change in fund balances	(196,421)	78,125	(118,296)
FUND BALANCE - Beginning	<u>3,225,923</u>	<u>516,172</u>	<u>3,742,095</u>
FUND BALANCE - Ending	<u>\$ 3,029,502</u>	<u>\$ 594,297</u>	<u>\$ 3,623,799</u>

See accompanying notes to basic financial statements.

TOWN OF TUNICA, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010

Net change in fund balances - total governmental funds	\$	(118,296)
Amounts reported for governmental activities in the statement of net activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		
		31,797
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not required the use of current financial resources. Therefore depreciation expense is not reported as expenditure in governmental funds.		
		(315,271)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction, however, has no effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
		121,000
Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.		
		(1,939)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		
		<u>2,788</u>
Change in net assets of governmental activities	\$	<u><u>(279,921)</u></u>

See accompanying notes to basic financial statements.

TOWN OF TUNICA, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2010

	<u>Public Utility</u>
Assets	
Current Assets:	
Cash	\$ 5,701
Receivables (net where applicable of allowance for doubtful accounts)	
Accounts	27,776
Interest	1,645
Total current assets	<u>35,122</u>
Noncurrent assets:	
Restricted cash	67,204
Capital assets (net)	5,919,041
Total noncurrent assets	<u>5,986,245</u>
Total assets	<u>6,021,367</u>
Liabilities	
Current liabilities:	
Accounts payable	51,700
Current maturities, long-term debt	263,714
Accrued expenses	8,488
Total current liabilities	<u>323,902</u>
Liabilities payable from restricted assets:	
Meter deposits payable	67,204
Total liabilities payable from restricted assets	<u>67,204</u>
Noncurrent liabilities:	
Long-term debt	3,006,293
Total noncurrent liabilities	<u>3,006,293</u>
Total liabilities	<u>3,397,399</u>
Net Assets	
Invested in capital assets, net of related debt	2,649,034
Unrestricted	(25,066)
Total net assets	<u>\$ 2,623,968</u>

See accompanying notes to basic financial statements.

TOWN OF TUNICA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010

	<u>Public Utility</u>
OPERATING REVENUES:	
Charges for services	\$ <u>320,668</u>
OPERATING EXPENSES:	
Personnel costs	517,006
Supplies	275,973
Services	179,991
Depreciation	<u>325,662</u>
Total operating expenses	<u>1,298,632</u>
Operating (loss)	(977,964)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	2,193
Interest expense and bank fees	<u>(100,724)</u>
Total non-operating revenues (expenses)	<u>(98,531)</u>
Loss before transfers	(1,076,495)
TRANSFERS IN	<u>945,908</u>
CHANGE IN NET ASSETS	(130,587)
NET ASSETS - BEGINNING	<u>2,754,555</u>
NET ASSETS - ENDING	\$ <u><u>2,623,968</u></u>

See accompanying notes to basic financial statements.

TOWN OF TUNICA, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010

	<u>Public Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 319,626
Payments to suppliers	(451,760)
Payments to employees	(514,206)
Net cash (used) by operating activities	<u>(646,340)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Customer meter deposits	3,115
Operating subsidies and transfers from other funds	945,908
Net cash provided by non-capital financing activities	<u>949,023</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on capital debt	(255,395)
Interest paid on capital debt	(100,724)
Net cash (used) by capital and related financing activities	<u>(356,119)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	1,951
Net cash provided by investing activities	<u>1,951</u>
Net (decrease) in cash and cash equivalents	(51,485)
Balances - beginning of the year	124,390
Balances - end of the year	<u>\$ 72,905</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED) IN OPERATING ACTIVITIES	
Operating (loss)	\$ (977,964)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation expense	325,662
Change in assets and liabilities:	
Receivables, net	(1,042)
Accounts and other payables	4,204
Accrued expenses	2,800
Net cash (used) by operating activities	<u>\$ (646,340)</u>
ENDING CASH IS PRESENTED IN THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS AS FOLLOWS:	
Cash	\$ 5,701
Restricted cash	67,204
	<u>\$ 72,905</u>

See accompanying notes to basic financial statements.

TOWN OF TUNICA, MISSISSIPPI
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
SEPTEMBER 30, 2010

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 9,975
Total assets	\$ <u>9,975</u>
LIABILITIES	
Accounts payable	\$ --
Total liabilities	\$ <u>--</u>
NET ASSETS	
Held in trust for employees unemployment	\$ 9,975
Total net assets	\$ <u>9,975</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR YEAR ENDED SEPTEMBER 30, 2010

ADDITIONS:

Investment Income:	
Interest	\$ 26
Change in net assets	26
NET ASSETS - BEGINNING OF YEAR	<u>9,949</u>
NET ASSETS - END OF YEAR	<u>\$ 9,975</u>

See accompanying notes to basic financial statements.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town of Tunica, Mississippi ("Town") was incorporated in 1887. The Town operates under a Mayor - Board of Alderman form of government and provides the following services as authorized by its charter: Public Safety - Police and Fire, Highways and Streets, Sanitation, Water and Sewer Services, Health and Social Services, Culture-Recreation, Public Improvement, Planning and Zoning, and General Administrative Services.

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

I. A. Reporting Entity

The Town's financial reporting entity comprises the following:

Primary Government: Town of Tunica

Blended Component Unit: Tunica Main Street, Inc.

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the Town appointed a voting majority of the units' board; the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Board or the component unit provides services entirely to the Town. These component units' funds are blended into those of the Town's by appropriate activity type to compose the primary government presentation.

Tunica Main Street, Inc. (a Mississippi non-profit corporation) exempt from federal income taxes under section 501 (c) (4) of the Internal Revenue Code is a component unit of the Town of Tunica. The Mayor and Board of Aldermen of the Town serve as the Executive Board of Tunica Main Street, Inc. and the Town is responsible for funding. Tunica Main Street, Inc. is reported as a special revenue fund. Separate financial statements of Tunica Main Street, Inc. can be obtained at P.O. Box 2654, Tunica, MS 38676, telephone (662) 363-6611.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. The reporting entity includes Tunica Main Street, Inc.

Proprietary Fund

Enterprise Fund

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are generally financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Fund

The Fiduciary Fund is used to account for the employment security funds.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

1. B. BASIS OF PRESENTATION (continued)

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Fund	Brief Description
Major:	
General	See above for description.
Proprietary Fund:	
Public Utility	Accounts for activities of the public utility in providing water, wastewater, and Sanitation services to the public.
Nonmajor	
Special Revenue Funds:	
Fire Protection	Accounts for fire protection allocations from Tunica County and the state of Mississippi, which are restricted to the acquisition of fire fighting equipment.
Urban Renewal	Accounts for rental revenues from urban renewal projects, which are restricted to payment of revenue bonds.
Tunica Main Street, Inc.	Accounts for revenues and expenditures of component unit, which are restricted to the development of the downtown area.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial positions, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

1. C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1. D. ASSETS, LIABILITIES, AND EQUITY

Cash

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit.

Interfund Receivables and Payables

During the course of operations, numerous transfers occur between individual funds that may result in amounts owed between funds. Short-term interfund receivables and payables are reported as internal balances. Internal balances between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.G. for details of interfund transfers, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include police fines, sales and use taxes, franchise taxes, and gaming taxes. Business-type activities report utilities earnings as their major receivables.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as gaming tax, sales tax, franchise tax, and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund accounts receivable consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the proprietary fund receivables. No allowance for uncollectible accounts receivable is considered necessary in the fund financial statements. In the government-wide financial statements an allowance for uncollectible police fines is reported.

Capital Assets

The accounting treatment for property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Equipment with a value of \$500 and over are capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives and salvage value percentages by type of asset are as follows:

	Useful Life	Salvage Value
Buildings	40	20%
Improvements	40	20%
Utility System	20 - 40	--
Infrastructure	20	30%
Computer equipment	3	1%
Furniture & Fixtures	7	10%
Movable Equipment	5	10%
Cars & Trucks	5	10%
Heavy Equipment	10	10%

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operation are accounted for the same as in the government-wide statements.

The Town capitalizes net interest costs and interest earned as part of the cost of construction when material.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

Restricted assets include cash of the proprietary fund that is legally restricted meter deposits, fire protection allocations and insurance rebates, urban renewal revenues, and forfeiture funds seized by police department.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.G. for additional disclosures.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS: (CONTINUED)
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. E. REVENUES, EXPENDITURES, AND EXPENSES

Gaming Tax

Tunica County assesses a monthly fee of 3.2% of gross gaming revenues in the County. Of this amount, 10% is allocated to the Town of Tunica. Gaming taxes are collected by the State on a weekly basis and remitted to the County monthly. Taxes collected by the State representing gross revenues for August and September and received by the Town in October and November, have been accrued and are included under the caption "Due from other governments."

Sales Tax

The Town presently levies a two cent sales tax on taxable sales within the Town. The sales tax is collected by the Mississippi Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in September and October (which represent sales taxes for August and September) and received by the Town in October and November have been accrued and are included under the caption "Due from other governments."

The Town has three outstanding state revolving fund loans which are payable monthly in the total amount of \$26,495. This amount is deducted from the Town's sales tax collected and applied to the loans of the Public Utility. The balance collected is used in General Fund operations.

Property Tax

Property taxes attach as an enforceable lien on property as of February 1. Taxes are levied annually on October 1 and are due by February 1 of the following year. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. The Town set the millage rate at zero and levied no property taxes for the year beginning October 1, 2009.

Program Revenues

Program revenues include fines levied by the municipal court, building permits, tower rental and event fees for main street activities. The urban renewal fund receives rental income.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS: (CONTINUED)
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. E. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds- By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund- By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component unit are subject to various federal, state, and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

2. A. FUND ACCOUNTING REQUIREMENTS

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

Fund	Required by
Police Expenditures	State Law
Fire Protection	State Law
Urban Renewal Fund	State Law
Fiduciary Fund	State Law
Public Utility	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral permitted by Mississippi Code 27-105-5. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Mississippi or political subdivision debt obligations, or surety bonds.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS: (CONTINUED)
SEPTEMBER 30, 2010

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS (Continued)

Investments of the Town are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Mississippi is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax supported debt obligations; bond or revenue anticipation notes; money judgments; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of national mortgage associations.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous items a., b., c., and d.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended September 30, 2010, the Town complied, in all material respects, with these investment restrictions.

2.C. REVENUE RESTRICTIONS

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Forfeitures Funds	Police Expenditures
Fire Protection Rebate	Fire Fighting Equipment
Rent from Post Office	Payment of Revenue Bond - Principal and Interest
Water Revenues	Utility Operations

For the year ended September 30, 2010, the Town complied, in all material respects, with these revenue restrictions.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS: (CONTINUED)
SEPTEMBER 30, 2010

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

General obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the Town. GO bonds are usually paid from taxes levied at the rate required to pay interest and principal on the debt. The Town's GO bond obligation consists of general obligation urban renewal taxable bonds series 2002, which are payable in part from rental revenues and gaming revenues. The Town has a property tax assessment rate of zero. The Town has budgeted gaming revenues in amounts sufficient to meet this obligation.

Revenue Bonds

Revenue bonds constituted special obligations of the Town solely secured by a lien on the pledge of revenues. The Town's revenue bonds obligation consist of urban renewal bonds series 1996, payable from income derived from the rental of the post office building. The rental payments are sufficient to meet this obligation.

State Revolving Fund Loans (SRFL)

The Town has three SRFL loans which were for the purpose of funding water and sewer improvement projects. These loans are special obligations of the Town secured by a special pledge of the Town's sales tax revenues.

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Title 11, Section 17-211, of the Mississippi Statutes prohibits the creation of a deficit fund balance in an individual fund. The Town complied with this statute in all material respects for the year ended September 30, 2010.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS: (CONTINUED)
SEPTEMBER 30, 2010

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH

Deposits

At September 30, 2010, the carrying amount (recorded on the Town's books) of the Town's demand and time deposits was \$3,126,121 and the bank balance was \$3,163,752.

The collateral for public entities' deposits in financial institutions are now 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 Town'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 these 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 Depository Insurance Corporation.

Deposits of the Town of Tunica as of September 30, 2010 are summarized as follows:

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Value</u>
Demand deposits	\$ 198,721	\$ 161,090
Time deposits	2,965,031	2,965,031
Total Deposits	<u>\$ 3,163,752</u>	<u>3,126,121</u>
Cash on hand		450
Main Street Funds (insured)		89,327
Total		<u>\$ 3,215,898</u>

Reconciliation to Government-wide Statement of Net Assets:

Unrestricted cash, including time deposits	\$ 2,632,500
Restricted cash, including time deposits	583,398
	<u>\$ 3,215,898</u>

The State Treasurer of Mississippi has certified that the public deposits of the Town of Tunica as of September 30, 2010 are adequately collateralized by securities or instruments permitted by Mississippi Code 27-105-5 and FDIC insurance having a worth of at least 105% of deposits.

Restricted cash is as follows:

Police Expenditures	\$ 12,524
Public Utility Meter Deposits	67,204
Fire Protection	428,595
Urban Renewal Revenue Bonds	75,075
	<u>\$ 583,398</u>

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS: (CONTINUED)
SEPTEMBER 30, 2010

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3.B. ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

	General Fund	Nonmajor Funds	Public Utility	Memorandum Only
Receivables from other governments:				
Gaming revenue	\$ 465,460	\$ --	\$ --	\$ 465,460
Sales taxes	88,190	--	--	88,190
Fire allocation	--	750	--	750
Other receivables:				
Franchise taxes receivable	19,393	--	--	19,393
Police fines, net	16,696	--	--	16,696
Accrued interest	8,491	--	1,645	10,136
Rent	--	2,300	--	2,300
Water customers	--	--	27,776	27,776
	<u>\$ 598,230</u>	<u>\$ 3,050</u>	<u>\$ 29,421</u>	<u>\$ 630,701</u>

The Town considers all receivables fully collectible and no allowance for possible loss necessary, except for police fines receivable. Police fines receivable were \$579,051 reduced by an allowance for loss of \$562,355.

3.C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ASSETS:				
Capital assets not being depreciated:				
Land	\$ 1,116,609	\$ --	\$ --	\$ 1,116,609
Other capital assets:				
Buildings	3,532,649	--	--	3,532,649
Improvements	1,340,769	--	--	1,340,769
Machinery and equipment	2,239,931	31,066	(25,706)	2,245,291
Furniture and fixtures	563,294	731	--	564,025
Infrastructure	978,215	--	--	978,215
Main Street - equipment	23,764	--	--	23,764
Total other capital assets at historical cost	<u>8,678,622</u>	<u>31,797</u>	<u>(25,706)</u>	<u>8,684,713</u>
Less accumulated depreciation for:				
Buildings	(732,016)	(70,653)	--	(802,669)
Improvements	(459,790)	(53,631)	--	(513,421)
Machinery and equipment	(1,568,510)	(122,537)	(25,706)	(1,665,341)
Furniture and fixtures	(465,390)	(17,423)	--	(482,813)
Infrastructure	(341,111)	(48,911)	--	(390,022)
Main Street - equipment	(15,984)	(2,116)	--	(18,100)
Total accumulated depreciation	<u>(3,582,801)</u>	<u>(315,271)</u>	<u>(25,706)</u>	<u>(3,872,366)</u>
Other capital assets, net	<u>5,095,821</u>	<u>(283,474)</u>	<u>--</u>	<u>4,812,347</u>
Governmental Activities Capital Assets, net	<u>\$ 6,212,430</u>	<u>\$ (283,474)</u>	<u>\$ --</u>	<u>\$ 5,928,956</u>

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS: (CONTINUED)
SEPTEMBER 30, 2010

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)
3.C. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental activities as follows:

Municipal court	\$	923
Administrative		7,383
Municipal complex		16,075
Shop maintenance		3,009
Police department		26,281
Fire department		67,111
Parks and recreation		35,302
Streets		120,876
Urban Renewal		36,195
Main Street		2,116
Total depreciation expense	\$	<u><u>315,271</u></u>

	<u>Beginning</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending</u>
	<u>Balance</u>						<u>Balance</u>
BUSINESS-TYPE ACTIVITIES:							
Capital assets not being depreciated:							
Land	\$ 13,500	\$ --		\$ --		\$	13,500
Other capital assets:							
Water and sewer systems	10,547,707	--		--			10,547,707
Machinery and equipment	157,903	--		--			157,903
Vehicles	382,339	--		(47,415)			334,924
Total other capital assets	<u>11,087,949</u>	<u>--</u>		<u>(47,415)</u>			<u>11,040,534</u>
Less accumulated depreciation for:							
Water and sewer systems	(4,457,237)	(309,690)		--			(4,766,927)
Machinery and equipment	(133,923)	(3,470)		--			(137,393)
Vehicles	(265,586)	(12,502)		47,415			(230,673)
Total accumulated depreciation	<u>(4,856,746)</u>	<u>(325,662)</u>		<u>47,415</u>			<u>(5,134,993)</u>
Other capital assets, net	<u>6,231,203</u>	<u>(325,662)</u>		<u>--</u>			<u>5,905,541</u>
Business-type capital assets, net	<u>\$ 6,244,703</u>	<u>\$ (325,662)</u>	<u>\$ --</u>			<u>\$</u>	<u>5,919,041</u>

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.D. ACCOUNTS PAYABLE

Payables in the General Fund, Nonmajor Governmental Funds and Proprietary Fund are composed of payables to vendors for goods and services.

3.E. LONG -TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. The general fund and the urban renewal fund have been used in prior years to liquidate long-term debt of governmental funds.

Governmental Activities:

The following is a summary of changes in governmental long-term debt for the year ended September 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General long-term debt:					
Revenue Bonds -					
Urban Renewal Bond Series 1996 due in annual installments ranging from \$45,000 to \$70,000 through October 24, 2015, interest at 7.0%, proceeds used to fund construction of a post office, payable solely from rental revenue.	\$ 395,000	\$ --	\$ 45,000	\$ 350,000	\$ 50,000
General obligation urban renewal taxable bond, Series 2002, maturing annually in amounts varying from \$76,000 to \$91,000 through October 1, 2012, interest rates from 5.25 to 6.00%, proceeds used to fund urban renewal project, payable from general revenues and rental revenue from project.	333,000	--	76,000	257,000	80,000
Total General Long-Term Debt	<u>\$ 728,000</u>	<u>\$ --</u>	<u>\$ 121,000</u>	<u>\$ 607,000</u>	<u>\$ 130,000</u>

The general obligation urban renewal taxable bonds in the amount of \$257,000 were refinanced on December 29, 2010 with proceeds from an installment note payable to Citizens Bank & Trust Co. that provides for 20 quarterly installments of \$14,980 including interest at 6% with the first installment due January 5, 2011, and the final installment coming due October 05, 2015.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.E. LONG -TERM DEBT (Continued)

Business-Type Activities:

The following is a summary of changes in business-type long-term debt for the year ended September 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Enterprise Fund debt-					
State Revolving Fund Loans payable to Mississippi Department on Environmental Quality State Revolving Fund secured by pledges of sales tax revenue:					
Loan dated September 17, 1997, to fund improvements to the waste-water collection and treatment facilities of the Town of Tunica, payable in monthly installments of \$3,680 including interest at 4 1/2%, through August 1, 2013.	\$ 158,319	\$ --	\$ 37,814	\$ 120,505	\$ 39,550
Loan dated November 16, 2001, to fund sewer rehabilitation project, payable in monthly installments of \$12,897 including interest at 3% through September 2021.	1,558,040	--	109,523	1,448,517	112,855
Loan Agreement as amended April 18, 2008, to fund Wastewater collection sewer rehabilitation project, payable in monthly installments of \$9,918 including interest at 2.75% through February 14, 2028.	1,718,258	--	72,675	1,645,583	74,699
Equipment loan in the amount of \$108,270 payable to Trustmark Bank in six semi-annual installments of \$19,068 including interest at 3.75% through November 15, 2011, secured by a truck with a book value of \$90,405.	90,785	--	35,383	55,402	36,610
Total Enterprise Fund Debt	\$ 3,525,402	\$ --	\$ 255,395	\$ 3,270,007	\$ 263,714

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)
3.E. LONG-TERM DEBT: (Continued)

The following is a summary of the annual debt service requirements to maturity, including principal and interest, for governmental activities, general long-term debt as of September 30, 2010:

Fiscal Year Ending September 30	1996 Urban Renewal Bonds	2002 General Obligation Urban Renewal Taxable Bond	Total	Interest	Principal
2011	\$ 72,750	\$ 92,156	\$ 164,906	\$ 34,906	\$ 130,000
2012	69,250	93,819	163,069	27,069	136,000
2013	70,575	93,730	164,305	18,305	146,000
2014	71,550	--	71,550	11,550	60,000
2015	72,175	--	72,175	7,175	65,000
2016	72,450	--	72,450	2,450	70,000
Total	428,750	279,705	\$ 708,455		
Less interest	78,750	22,705		\$ 101,455	
Principal	\$ 350,000	\$ 257,000			\$ 607,000

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)
3.E. LONG-TERM DEBT: (Continued)

The following is a summary of the annual debt service requirements to maturity, including principal and interest, for business-type activities of the Public Utility Fund for the year ended September 30, 2010:

Fiscal Year Ending September 30	State Revolving Fund Loans			Trustmark Bank	Total	Interest	Principal
	1997	2001	2008				
2011	\$ 44,164	\$ 154,767	\$ 119,016	\$ 38,172	\$ 356,119	\$ 92,405	\$ 263,714
2012	44,164	154,767	119,016	19,087	337,034	83,806	253,228
2013	40,484	154,767	119,016	--	314,267	75,937	238,330
2014	--	154,767	119,016	--	273,783	69,198	204,585
2015	--	154,767	119,016	--	273,783	63,184	210,599
2016	--	154,767	119,016	--	273,783	56,992	216,791
2017	--	154,767	119,016	--	273,783	50,618	223,165
2018	--	154,767	119,016	--	273,783	44,057	229,726
2019	--	154,767	119,016	--	273,783	37,302	236,481
2020	--	154,767	119,016	--	273,783	30,348	243,435
2021	--	154,767	119,016	--	273,783	23,189	250,594
2022	--	--	119,016	--	119,016	17,965	101,051
2023	--	--	119,016	--	119,016	15,151	103,865
2024	--	--	119,016	--	119,016	12,259	106,757
2025	--	--	119,016	--	119,016	9,285	109,731
2026	--	--	119,016	--	119,016	6,229	112,787
2027	--	--	119,016	--	119,016	3,088	115,928
2028	--	--	49,581	--	49,581	341	49,240
Total	128,812	1,702,437	2,072,853	57,259	\$ 3,961,361	\$ 691,354	\$ 3,270,007
Less interest	8,307	253,920	427,270	1,857			
Principal	\$ 120,505	\$ 1,448,517	\$ 1,645,583	\$ 55,402			\$ 3,270,007

TOWN OF TUNICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.E. NOTE 3 LONG-TERM DEBT (Continued)

Interest expense of governmental fund debt in the amount of \$39,096 is included in urban renewal expenses in the government-wide statement of activities.

3.F. INTERFUND TRANSFERS AND BALANCES

Operating transfers

	Transfers In	Transfers Out	Internal Balance
General Fund:			
Enterprise	\$ --	\$ 945,908	\$ --
Nonmajor Governmental	15,652	300,786	--
Total General Fund	<u>15,652</u>	<u>1,246,694</u>	<u>--</u>
Total Nonmajor Funds			
General	<u>300,786</u>	<u>15,652</u>	<u>--</u>
Total Governmental Funds	<u>300,786</u>	<u>15,652</u>	<u>--</u>
Enterprise Fund:			
General	<u>945,908</u>	<u>--</u>	<u>--</u>
Total Enterprise Fund	<u>945,908</u>	<u>--</u>	<u>--</u>
GRAND TOTALS	<u>\$ 1,262,346</u>	<u>\$ 1,262,346</u>	<u>\$ --</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

3.G. FUND EQUITY

Restricted Fund Equity

Reservation of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not available for future expenditures' specific reservations.

Restricted Net Assets

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets:

Activity	Restricted by	Amount
Revenue Bonds	Law	\$ 76,951
Police Expenditures	Law	12,524
Fire Protection	Law	429,345
Total Restricted Net Assets for Other Purposes		<u>\$ 518,820</u>

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Pension Plan

Plan Description. The Town of Tunica contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9% of their annual covered salary and the Town of Tunica is required to contribute at an actuarially determined rate. The current rate is 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Tunica's contributions to PERS for the years ending September 30, 2010, 2009 and 2008 were \$177,761, \$189,608 and \$185,371, respectively, equal to the required contributions for each year.

Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Town funds all amounts of compensation deferred under the Plan, at the direction of the covered employee through the Public Employee's Retirement System of Mississippi, in accordance with House Bill No. 350, Chapter 399, Laws of 1973.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE 4. OTHER NOTES

4.B. COMMITMENTS

Operating Lease Revenue Agreements

The Town leases out certain urban renewal and other property under terms as follows:

Property	Lease Term From - To	Current Rent	Future Annual Rent
Post Office Building	04/02/1997-04/01/2017	\$ 76,747	\$ 76,747
(Renewal option \$12,986 per yr.)	04/01/2017-04/01/2022	--	--
(Renewal option \$16,233 per yr.)	04/01/2022-04/01/2027	--	--
Grocery Store (\$2,000 per mo.)	month-to-month	24,000	--
Deli (\$300 per mo.)	month-to-month	3,600	--
Tower Space (\$945 per mo.)	04/01/2006-03/31/2011	12,285	5,670
Tower Space (\$800 per mo.)	02/18/2010-02/18/2015	6714	9,600
		<u>\$ 123,346</u>	<u>\$ 92,017</u>

Minimum future rentals are \$546,126 collectible annually as follows:

Year Ending September 30	Annually	Minimum Future Rentals
2011	\$ 92,017	\$ 92,017
2012-2015	\$ 86,347	338,988
2016	\$ 76,747	76,747
2017	\$ 38,374	38,374
		<u>\$ 546,126</u>

Leased assets have a total cost basis of \$1,877,858 and a total net book value of \$1,270,184 at September 30, 2010. Depreciation expense on the assets was \$36,196 for the year ended September 30, 2010.

Lease Cost Agreements

The Town is obligated under certain operating lease agreements summarized as follows:

Property	Department	Lease Term From - To	Current Rent	Future Obligation
Parking Lot	Shop	06/01/2010-05/31/2013	\$ 3,600	\$ 10,800
Storage Building	Streets	09/01/2010-08/31/2011	7,200	6,600
Parking Lot	Parks	05/01/2009-04/30/2012	3,000	6,000
Town total			<u>13,800</u>	<u>23,400</u>
Main Street billboards		04/15/2010-04/15/2011	10,800	2,400
Total			<u>\$ 24,600</u>	<u>\$ 25,800</u>

Current rent for Main Street billboards includes \$6,000 in month-to-month rentals.

TOWN OF TUNICA, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE 4. OTHER NOTES

4.C. STATEMENT OF CASH FLOWS

For the purposes of the Statement of Cash Flows, the Public Utility Fund considers cash on hand and in banks and certificates of deposits with original maturities of three months or less from the date of acquisition to be cash equivalents.

4.D. COMPENSATED ABSENCES

Full-time permanent employees are granted vacation benefits of two weeks after one year of service. Sick leave accrues to full-time permanent employees at one day a month. Vacation and sick leave must be taken. No liability has been accrued because the amount cannot be estimated.

4. E. ADVERTISING

The Town expenses advertising costs when incurred.

4. F. RISK MANAGEMENT

The Town is exposed to various risks of loss for which the Town carries commercial insurance. Coverages include general liability, public officials, law enforcement, automobile, property, crime, inland marine, workers compensation and employee health insurance. All Town officials and employees in a position of trust are bonded. Claims have not exceeded coverage in any of the three preceding years, with no reductions in coverage.

4. G. CONTINGENCIES

Restitution:

On October 19, 2004, an order of restitution was issued against a former employee in the amount of \$40,008 with \$24,219 payable to the Town. Minimum payments of \$400 per month are stipulated. It was determined that a demand would be issued for a total amount of \$50,244 including additional funds unaccounted for. Cumulative collections as of September 30, 2010 totaled \$8,475 leaving a balance due of \$15,744. No collections were realized in the year ended September 30, 2010.

TOWN OF TUNICA, MISSISSIPPI
SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET (NON-GAAP BUDGET BASIS)
GENERAL FUND (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 6,000	\$ 9,200	\$ 9,437	\$ 237
Police fines	40,000	40,000	24,877	(15,123)
Gaming taxes	3,000,000	2,825,000	2,827,351	2,351
Sales tax	475,000	475,000	499,300	24,300
Franchise taxes	82,000	82,000	66,483	(15,517)
Gasoline taxes	4,000	4,000	3,183	(817)
Liquor taxes	3,600	3,600	3,150	(450)
Nuclear plant	22,000	22,000	21,180	(820)
Sale of assets	--	--	30	30
General municipal aid	--	--	588	588
Fees and other	2,000	600	528	(72)
Rent	11,340	18,704	18,999	295
Interest	40,000	40,000	38,654	(1,346)
Transfers in - fire	16,000	16,000	15,652	(348)
Transfers out	--	--	--	--
Urban renewal	(84,390)	(84,390)	(92,241)	(7,851)
Water	(1,028,287)	(998,287)	(945,908)	52,379
Total revenues	2,589,263	2,453,427	2,491,263	37,836
Beginning balance	2,704,371	2,704,371	2,621,925	(82,446)
Total from all sources	\$ 5,293,634	\$ 5,157,798	\$ 5,113,188	\$ (44,610)
EXPENDITURES:				
Municipal Court:				
Personnel	\$ 94,080	\$ 94,080	94,772	692
Supplies	1,000	1,000	632	(368)
Services	19,600	19,600	10,676	(8,924)
Capital outlay	--	--	5,595	5,595
	114,680	114,680	111,675	(3,005)
Administrative:				
Personnel	386,414	386,414	358,935	(27,479)
Supplies	27,000	27,000	12,217	(14,783)
Services	87,000	88,000	79,661	(8,339)
Capital outlay	2,800	2,800	3,904	1,104
	503,214	504,214	454,717	(49,497)
Municipal Complex:				
Supplies	6,000	6,000	3,987	(2,013)
Services	31,650	18,150	14,192	(3,958)
	37,650	24,150	18,179	(5,971)
Shop Maintenance:				
Personnel	115,871	115,871	115,238	(633)
Supplies	42,000	42,000	38,924	(3,076)
Services	20,400	18,500	17,115	(1,385)
	178,271	176,371	171,277	(5,094)

See independent auditor's report and accompanying note to budgetary comparison schedule.

TOWN OF TUNICA, MISSISSIPPI
SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET (NON-GAAP BUDGETARY BASIS)
GENERAL FUND (UNAUDITED) (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Over (Under)
EXPENDITURES: (continued)				
Police Department:				
Personnel	634,464	634,464	625,757	(8,707)
Supplies	55,300	54,300	45,316	(8,984)
Services	98,000	90,000	74,221	(15,779)
Capital outlay	4,000	4,000	--	(4,000)
	<u>791,764</u>	<u>782,764</u>	<u>745,294</u>	<u>(37,470)</u>
Fire Department:				
Personnel	78,379	78,379	70,313	(8,066)
Supplies	27,000	27,000	32,641	5,641
Services	111,200	109,200	106,035	(3,165)
Capital outlay	10,000	10,000	10,430	430
	<u>226,579</u>	<u>224,579</u>	<u>219,419</u>	<u>(5,160)</u>
Parks and Recreation:				
Personnel	55,397	55,397	56,166	769
Supplies	14,000	11,000	5,449	(5,551)
Services	21,000	20,500	17,599	(2,901)
	<u>90,397</u>	<u>86,897</u>	<u>79,214</u>	<u>(7,683)</u>
Streets:				
Personnel	375,607	375,607	321,505	(54,102)
Supplies	158,500	153,500	122,054	(31,446)
Services	155,800	152,800	135,715	(17,085)
Capital outlay	--	--	11,868	11,868
	<u>689,907</u>	<u>681,907</u>	<u>591,142</u>	<u>(90,765)</u>
Animal Control:				
Personnel	18,871	18,871	18,182	(689)
Supplies	2,300	2,300	146	(2,154)
Services	800	800	3,755	2,955
	<u>21,971</u>	<u>21,971</u>	<u>22,083</u>	<u>112</u>
Special Projects:				
Library	38,000	38,000	38,300	300
	<u>38,000</u>	<u>38,000</u>	<u>38,300</u>	<u>300</u>
Transfers out:				
Main Street	250,000	218,001	208,545	(9,456)
	<u>250,000</u>	<u>218,001</u>	<u>208,545</u>	<u>(9,456)</u>
Total expenditures	2,942,433	2,873,534	2,659,845	(213,689)
Ending balance	2,351,201	2,284,264	2,453,343	169,079
Total expenditures and ending balance	<u>\$ 5,293,634</u>	<u>\$ 5,157,798</u>	<u>\$ 5,113,188</u>	<u>\$ (44,610)</u>

See independent auditor's report and accompanying note to budgetary comparison schedule.

TOWN OF TUNICA, MISSISSIPPI
NOTE TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2010

NOTE A. Explanation of differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures - General Fund.

Sources/Inflows of resources

Actual amounts (Budgetary basis) "available for appropriation" from the budgetary comparison schedules. \$ 5,113,188

Adjustments:

The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for GAAP reporting. (2,621,925)

Revenues for budget basis are reported when received. Revenues collected within 60 days after year end are included in GAAP basis fund revenues (27,839)

Reclassifications:

Budgetary general fund transfers out are reclassified 1,038,149
 Budgetary general fund transfers in are reclassified (15,652)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds \$ 3,485,921

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules \$ 5,113,188

Adjustments:

The fund balance at the end of the year is a budgetary use but is not a current-year expenditure for GAAP reporting. (2,453,343)

Reclassifications:

Budgetary general fund transfers out are reclassified (208,545)

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds \$ 2,451,300

See independent auditor's report.

TOWN OF TUNICA, MISSISSIPPI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Tunica Main Street, Inc.</u>	<u>Fire Protection Fund</u>	<u>Urban Renewal Fund</u>	
Assets:				
Cash				
Unrestricted	\$ 89,327	\$ --	\$ --	\$ 89,327
Restricted	--	428,595	75,075	503,670
Rent receivable	--	--	2,300	2,300
Due from Tunica County	--	750	--	750
Total Assets	\$ 89,327	\$ 429,345	\$ 77,375	\$ 596,047
Liabilities:				
Accounts payable	\$ 1,326	\$ --	\$ 424	\$ 1,750
Deferred rent	--	--	--	--
Total Liabilities	1,326	--	424	1,750
Fund Balances:				
Restricted	--	429,345	76,951	506,296
Unrestricted	88,001	--	--	88,001
Total Fund Balances	88,001	429,345	76,951	594,297
Total Liabilities and Fund Balances	\$ 89,327	\$ 429,345	\$ 77,375	\$ 596,047

See independent auditor's report.

TOWN OF TUNICA, MISSISSIPPI
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue			Total Nonmajor Governmental Funds
	Tunica Main Street, Inc.	Fire Protection Fund	Urban Renewal Fund	
Revenues:				
County fire protection millage	\$ --	\$ 70,252	\$ --	\$ 70,252
County fire rebate	--	33,585	--	33,585
State fire protection allocation	--	6,165	--	6,165
Rent	--	--	104,347	104,347
Interest income	699	1,591	87	2,377
Contributions from sponsors	10,900	--	--	10,900
Fees and other	7,610	--	--	7,610
Total revenues	<u>19,209</u>	<u>111,593</u>	<u>104,434</u>	<u>235,236</u>
Expenditures:				
Personnel	77,745	--	--	77,745
Supplies	7,870	--	--	7,870
Services	18,796	--	20,391	39,187
Promotion, advertising and grants	154,559	--	--	154,559
Interest on bonds	--	--	41,884	41,884
Bonds redeemed	--	--	121,000	121,000
Total expenditures	<u>258,970</u>	<u>--</u>	<u>183,275</u>	<u>442,245</u>
Excess (deficiency) of revenues over expenditures	<u>(239,761)</u>	<u>111,593</u>	<u>(78,841)</u>	<u>(207,009)</u>
Other Financing Sources (uses):				
Transfers in	208,545	--	92,241	300,786
Transfers out	--	(15,652)	--	(15,652)
Total other financing sources (uses)	<u>208,545</u>	<u>(15,652)</u>	<u>92,241</u>	<u>285,134</u>
Change in fund balances	(31,216)	95,941	13,400	78,125
Fund Balance - Beginning	<u>119,217</u>	<u>333,404</u>	<u>63,551</u>	<u>516,172</u>
Fund Balance - Ending	<u>\$ 88,001</u>	<u>\$ 429,345</u>	<u>\$ 76,951</u>	<u>\$ 594,297</u>

See independent auditor's report.

TOWN OF TUNICA, MISSISSIPPI
SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET (NON-GAAP BUDGETARY BASIS) (UNAUDITED)
SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	Tunica Main Street, Inc.		Fire Protection Fund		Urban Renewal Fund	
	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES:						
County fire protection millage	\$ --	\$ --	\$ 70,391	\$ 70,398	\$ --	\$ --
County fire rebate	--	--	31,000	33,585	--	--
State fire protection allocation	--	--	6,200	6,165	--	--
Rent	--	--	--	--	104,347	104,347
Interest income	--	699	1,800	1,591	180	87
Contributions from sponsors	--	10,900	--	--	--	--
Fees and other	--	7,610	--	--	--	--
Transfers in	218,001	208,545	--	--	84,390	92,241
Total revenues	218,001	227,754	109,391	111,739	188,917	196,675
Beginning balance	121,884	121,884	323,914	332,507	62,225	64,287
Total from all sources	\$ 339,885	\$ 349,638	\$ 433,305	\$ 444,246	\$ 251,142	\$ 260,962
EXPENDITURES:						
Personnel	86,880	77,745	--	--	--	--
Supplies	5,000	7,870	8,000	--	--	--
Services	21,299	18,796	--	--	41,000	20,391
Promotion and advertising	104,501	154,559	--	--	--	--
Revenue bonds - principal	--	--	--	--	121,000	121,000
Revenue bonds - interest	--	--	--	--	34,917	41,884
Capital outlay	--	--	--	--	4,000	--
Transfers out	--	--	16,000	15,652	--	--
Total expenditures	217,680	258,970	24,000	15,652	200,917	183,275
Ending balance	122,205	89,327	409,305	428,595	50,225	75,075
Total expenditures and ending balance	\$ 339,885	\$ 348,297	\$ 433,305	\$ 444,247	\$ 251,142	\$ 258,350
Revenues and beginning balance over (under) expenditures and ending balance		1,341		(1)		2,612
Adjustments to reconcile with revenues over (under) expenditures						
Revenues for budget basis are reported when received. Revenues collected within 60 days after year end are included in GAAP basis fund revenues		--		(146)		
Beginning balance is not revenue		(121,884)		(332,507)		(64,287)
Ending balance is not an expenditure		89,327		428,595		75,075
Revenues over (under) expenditures GAAP basis		\$ (31,216)		\$ 95,941		\$ 13,400

See independent auditor's report.

TOWN OF TUNICA, MISSISSIPPI
SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET (NON-GAAP BUDGETARY BASIS) (UNAUDITED)
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010

	Budget		Actual Budget Basis	Variance Over (Under)
	Original	Final		
Revenues:				
Charges for services				
Water revenues	\$ 300,000	\$ 300,000	\$ 300,889	\$ 889
Service fees	10,000	10,000	9,917	(83)
Late fees	8,500	8,500	9,282	782
Water adjustments	200	200	301	101
Miscellaneous	200	200	279	79
Interest	3,000	3,000	2,193	(807)
Transfers	1,028,287	998,287	945,908	(52,379)
Total revenues, transfers and loans	1,350,187	1,320,187	1,268,769	(51,418)
Beginning balance	81,445	81,445	74,390	(7,055)
Total all sources	\$ 1,431,632	\$ 1,401,632	1,343,159	(58,473)
Expenditures:				
Public health:				
Personnel service	\$ 121,497	\$ 117,455	117,497	42
Supplies	13,000	13,000	8,130	(4,870)
Services	18,790	15,500	12,598	(2,902)
Debt service	--	35,381	38,172	2,791
	153,287	181,336	176,397	(4,939)
Water and Sewer:				
Personnel Services	421,511	403,511	399,509	(4,002)
Supplies	244,000	291,000	267,842	(23,158)
Services	274,442	207,032	167,394	(39,638)
Debt service	255,392	317,453	317,946	493
Capital outlay	10,000	3,000	--	(3,000)
	1,205,345	1,221,996	1,152,691	(69,305)
Total expenditures	1,358,632	1,403,332	1,329,088	(74,244)
Ending balance	73,000	(1,700)	72,905	74,605
Total expenditures and ending balance	\$ 1,431,632	\$ 1,401,632	1,401,993	\$ 361
Revenues over (under) expenditures			(58,834)	\$ (58,834)
Reconciliation with GAAP basis				
Change in net assets:				
Beginning balance is not revenue			(74,390)	
Ending balance is not an expense			72,905	
Debt principal payments are not expense			255,394	
Depreciation is an expense			(325,662)	
Change in net assets GAAP basis			\$ (130,587)	

See independent auditor's report.

TOWN OF TUNICA, MISSISSIPPI
SCHEDULE OF PROPERTY TAXES (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2010

	<u>Assessed Value</u>	<u>Mills</u>	<u>Tax</u>
ASSESSSED VALUATION:			
City tax:			
Realty	\$ 5,829,247	0	\$ 0
Personal-other than auto	1,076,326	0	0
Public utilities	694,049	0	0
Automobiles	1,767,378	0	0
Total	<u>\$ 9,367,000</u>		<u>\$ 0</u>

See independent auditor's report.

TOWN OF TUNICA, MISSISSIPPI
SCHEDULE OF SURETY BONDS (UNAUDITED)
SEPTEMBER 30, 2010

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Charles M. Cariker	Mayor	RLI Surety	\$ 50,000
John A. Graves, Jr.	Alderman	RLI Surety	\$ 50,000
Eloise B. Carson	Alderman	RLI Surety	\$ 50,000
Charles H. Knabb	Alderman	RLI Surety	\$ 50,000
Edward Hunsucker	Alderman	RLI Surety	\$ 50,000
Henry Nickson, Jr.	Alderman	RLI Surety	\$ 50,000
Celia J. Boren	Town Clerk	RLI Surety	\$ 50,000
Celia J. Boren	Tax Collector	RLI Surety	\$ 50,000
Kate S. Pennock	Deputy Clerk	RLI Surety	\$ 50,000
Charles N. Hailey	Deputy Clerk	Western Surety Company	\$ 50,000
Richard L. Veazey	Chief of Police	RLI Surety	\$ 50,000
Sandra Craig	Court Clerk	RLI Surety	\$ 50,000
Yvonne H. McKinney	Utility Clerk	RLI Surety	\$ 25,000
Other Employees	Various	Argonaut Great Central	\$ 50,000

See independent auditor's report.

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

Honorable Mayor and Board of Aldermen
Town of Tunica, Mississippi
Tunica, Mississippi 38676

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Tunica, Mississippi as of and for the year ended September 30, 2010, which collectively comprise the Town of Tunica, Mississippi's basic financial statements and have issued our report thereon dated January 31, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Town of Tunica, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Tunica, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Tunica, Mississippi's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Tunica, Mississippi's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Tunica, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by the Town of Tunica, Mississippi's internal control. We consider the following described deficiencies to be significant deficiencies in internal control over financial reporting.

Finding:

Significant adjustments are necessary to convert fund balance accounts to government-wide financial statements on the full accrual basis.

Response:

The Town Clerk and Mayor review final results to insure correct reporting.

Finding:

The Municipal Court Clerk failed to maintain proper receivable records. Reports necessary to account for defendant's charges, payments and balances, as required municipal court procedures, were not available as of September 30, 2010. The lack of separation of duties in the municipal court clerk office adds importance to these procedures for internal control purposes.

Response:

New software has been installed and monthly reports will be generated which will allow reconciliations of transactions on a monthly basis, and close oversight will be implemented.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Tunica, Mississippi's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of the management, the mayor-board of aldermen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants
January 31, 2011