



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.



**TUNICA COUNTY SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2005**

TUNICA COUNTY SCHOOL DISTRICT  
June 30, 2005

TABLE OF CONTENTS

		EXHIBIT PAGE(S)
Independent Auditor's Report on the Basic Financial Statement and Supplemental Information		1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS		3 - 9
FINANCIAL STATEMENTS		
Statement of Net Assets	A	10
Statement of Activities	B	11
Balance Sheet - Governmental Funds	C	12 - 13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	C-1	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	D	15 - 16
Reconciliation of the Governmental Funds Statement of Revenues Expenditures and Changes in Fund Balances to the Statement of Activities	D-1	17
Statement of Fiduciary Net Assets	E	18
Notes to Financial Statements		19 - 31
REQUIRED SUPPLEMENTAL INFORMATION		
Budgetary Comparison Schedule		33 - 34
Notes to the Required Supplementary Information		35
SUPPLEMENTAL INFORMATION		
Schedule of Expenditures of Federal Awards		36 - 37
Notes to the Schedule of Expenditure of Federal Awards		38
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds		39
REPORTS ON COMPLIANCE AND INTERNAL CONTROL		
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		40
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		42 - 43

TUNICA COUNTY SCHOOL DISTRICT  
June 30, 2005

TABLE OF CONTENTS

	EXHIBIT	PAGE(S)
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS		
Independent Auditor's Report on Compliance with State Laws and Regulations		44
SCHEDULE OF FINDING AND QUESTIONED COSTS		45 - 46
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS		47



**BANKS, FINLEY,  
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON  
THE BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

Superintendent and School Board  
Tunica County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Tunica County School District as of and for the year ended June 30, 2005, which collectively comprise the Tunica County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tunica County School District'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 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, each major fund and the aggregate remaining fund information of the Tunica County School District, as of June 30, 2005, and the respective changes in financial position, 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 20, 2006, on our consideration of the Tunica County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 on pages 3 through 9 and the Budgetary Comparison Schedule and corresponding notes on pages 33 through 35 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 Tunica County School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures, Governmental Funds is presented for purpose of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Baker, Filly, White & Co.*

January 20, 2006

**TUNICA COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

The discussion and analysis of Tunica County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

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

#### Financial Highlights

- Total net assets decreased \$828,004, which represents a 4% decrease from fiscal year 2004.
- General revenues account for \$18,733,556 in revenue, or 82% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,054,804 or 18% of total revenues.
- The District had \$23,616,364 in expenses; only \$4,054,804 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$18,733,556 were adequate to provide for these programs.
- Among major funds, the General Fund had \$18,389,896 in revenues and \$17,619,512 in expenditures, \$1,924,439 in other financing sources and \$4,002,809 in other financing uses. The General Fund's fund balance decreased \$1,307,986 from the prior year. The decrease was due primarily to an increase in operating transfers-out to cover shortages in others District funds.
- Capital assets, net of accumulated depreciation, increased by \$284,213 from the prior year. This increase was due primarily to facilities acquisition and construction during the year.
- Long-term debt increased by \$398,246 from the prior year.

#### Overview of Financial Statements

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

**TUNICA COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District'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 District is improving or deteriorating.

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional and interest on long-term liabilities.

The government-wide financial statements can be found on Exhibits A and B this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are in Exhibit C-1 and D-1, respectively.

**TUNICA COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found in Exhibit C and D of this report.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The School District's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets in Exhibit E.

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

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

The District adopts an annual operating budget for all governmental funds. A budgetary Comparison Statement has been provided for the General Fund. This required supplementary information can be found within this report.

A Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and can be found within this report.

**Government-Wide Financial Analysis**

**Net assets** - Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$21,509,314 as of June 30, 2005.

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

**TUNICA COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005 and a comparison of the same information as presented at June 30, 2004.

	<u>FISCAL YEAR 2005</u>	<u>FISCAL YEAR 2004</u>	<u>DIFFERENCE</u>
Current assets	\$ 4,754,498	5,183,182	\$ (428,684)
Capital assets, net	<u>24,782,660</u>	<u>24,498,448</u>	<u>284,212</u>
Total assets	<u>\$ 29,537,158</u>	<u>29,681,630</u>	<u>\$ (144,472)</u>
Current liabilities	\$ 2,982,693	2,446,650	\$ 536,043
Long-term debt outstanding	<u>5,045,151</u>	<u>5,193,402</u>	<u>(148,251)</u>
Total liabilities	<u>\$ 8,027,844</u>	<u>7,640,052</u>	<u>\$ 387,792</u>
Net assets			
Invested in capital assets, net of related debt	\$ 18,029,127	18,123,417	\$ (94,290)
Restricted	456,667	(501,178)	957,845
Unrestricted	<u>3,023,520</u>	<u>4,419,339</u>	<u>(1,395,819)</u>
Total net assets	<u>\$ 21,509,314</u>	<u>22,041,578</u>	<u>\$ (532,264)</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

There were no significant changes in current assets, capital assets, current and long-term liabilities from the prior year.

**TUNICA COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

**Changes in net assets** - The District's total revenues for the fiscal year ended June 30, 2005 were \$22,788,360. The total cost of all programs and services was \$23,616,364. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005.

	<u>FISCAL YEAR 2005</u>	<u>FISCAL YEAR 2004</u>	<u>DIFFERENCE</u>
<b>Revenues</b>			
Program revenues	\$ 4,054,804	3,640,588	\$ 414,216
General revenues	<u>18,733,556</u>	<u>17,072,134</u>	<u>1,661,422</u>
Total revenues	<u>22,788,360</u>	<u>20,712,722</u>	<u>2,075,638</u>
<b>Expenses</b>			
Instruction	11,313,090	11,601,446	(288,356)
Support services	10,497,428	10,009,904	487,524
Non-instructional	1,567,745	1,401,779	165,966
Interest on long-term liabilities	<u>238,101</u>	<u>146,138</u>	<u>91,963</u>
Total expenses	<u>23,616,364</u>	<u>23,159,267</u>	<u>457,097</u>
Increase in net assets	<u>\$ (828,004)</u>	<u>(2,446,545)</u>	<u>\$ 1,618,541</u>

The following are explanations of significant's changes in revenues and expenses:

The increase in general revenues over the amount reported in the prior year was due primarily to an increase in tax collection .

There were no significant changes in program revenues and expenses from the prior year.

**Governmental activities** - The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	<u>Fiscal Year 2005 Total Expenses</u>	<u>Fiscal Year 2005 Net (Expense) Revenue</u>	<u>Fiscal Year 2004 Total Expenses</u>	<u>Fiscal Year 2004 Net (Expense) Revenue</u>	<u>Total Expense Difference</u>	<u>Net (Expense) Revenue Difference</u>
Instruction	\$ 11,313,090	(9,625,357)	11,601,446	(9,955,459)	(288,356)	\$ 330,102
Support Services	10,497,428	(9,449,060)	10,009,904	(9,195,137)	487,524	(253,923)
Non-instructional	1,567,745	(249,042)	1,401,779	(221,945)	165,966	(27,097)
Interest on long-term liabilities	<u>238,101</u>	<u>(238,101)</u>	<u>146,138</u>	<u>(146,138)</u>	<u>91,963</u>	<u>(91,963)</u>
Total Expenses	<u>\$ 23,616,364</u>	<u>(19,561,560)</u>	<u>23,159,267</u>	<u>(19,518,679)</u>	<u>457,097</u>	<u>\$ (42,881)</u>

**TUNICA COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

Net cost of governmental activities (\$(19,561,560)), was financed by general revenue, which is made up of primarily property taxes ( \$6,120,761 ), gaming revenues \$5,062,578, state revenue \$7,381,586, federal revenues of \$63,000, and other general revenues not otherwise classified \$70,329.

Investment earnings accounted for \$35,302 of funding.

**Financial Analysis of the District's Funds**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,721,752, a decrease of \$391,217, \$3,644,550 or 98% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,307,986. The increase (decrease) in fund balances for other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service	\$ 69,716

The fund balance of the Other Governmental Funds (Non-Major) decreased in the amount of \$(847,053) for the fiscal year.

**Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget.

Local sources were reduced due to the overstatement of ad valorem taxes, interest earnings and gaming revenue. Intermediate sources were reduced strictly due to an error in projecting this revenue.

Revenue for state sources was reduced due to an error in stating funding from MAEP not once, but twice. This error occurred by utilizing the prior year revenue function code and, again by utilizing the new current year revenue function code for sources of funding. Revenue for federal sources was increased due to a more accurate update of E-Rate funding.

**TUNICA COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

In addition, transfer in and transfer out amendments were updated to reflect more accurately the movement of funds tied to MAEP funding from district maintenance to the local special education and vocational areas, plus certain other transfers necessary.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information

**Capital Assets and Debt Administration**

**Capital Assets** - As of June 30, 2005, the District's total capital assets were \$31,443,390 , including land, school buildings, building and other improvements, buses, other school vehicles, furniture and equipment and construction in progress. This amount represents an increase of \$980,256 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$6,660,730, and total depreciation expense for the year was \$818,560, resulting in total net assets of \$24,782,660.

Additional information of the District's capital assets can be found in Note 4 of this report.

**Debt Administration** - At June 30, 2005, the District had \$6,935,447 in general obligation bonds and other long-term debt outstanding, of which \$1,890,296 is due within one year. In addition, the liability for compensated absences increased by \$19,745 from the prior year.

The District maintains an AA bond rating.

Additional information of the District's long-term debt can be found in Note 5 of this report.

**Current Issues**

The Tunica County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has been consistent at a the rate of 23.95 mills for the last three years. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Lapses enrollment figures indicate that student enrollment in the District will increase approximately 35 students. The budget for the next fiscal year has taken into account funding needs due to growth.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Tunica County School District, P.O. Box 758, Tunica, MS 38676.

TUNICA COUNTY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2005

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 4,031,828
Due from other governments	684,535
Other receivables, net	19,181
Inventories and prepaid items	18,954
Capital assets, net	24,782,660
<b>Total Assets</b>	<b>\$ 29,537,158</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 955,650
Deferred revenue	77,094
Interest payable on long-term liabilities	59,653
Long-term liabilities, due within one year	
Capital related liabilities	1,887,154
Noncapital related liabilities	3,142
Long-term liabilities, due beyond one year	
Capital related liabilities	4,866,378
Noncapital related liabilities	178,773
<b>Total Liabilities</b>	<b>8,027,844</b>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	18,029,127
Restricted net assets:	
Expendable:	
School-based activities	159,146
Debt service	(12,679)
Capital improvements	251,952
Unemployment benefits	58,248
Unrestricted	3,023,520
<b>Total Net Asset</b>	<b>21,509,314</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 29,537,158</b>

The Accompanying Notes are an integral part of these Financial Statements

TUNICA COUNTY SCHOOL DISTRICT  
 Statement of Activities  
 For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$11,313,090	57,845	1,629,888	-	\$ (9,625,357)
Support services	10,497,428	-	1,048,368	-	(9,449,060)
Non-instructional	1,567,745	66,321	1,252,382	-	(249,042)
Interest on long-term liabilities	<u>238,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(238,101)</u>
Total Governmental Activities	<u>\$23,616,364</u>	<u>124,166</u>	<u>3,930,638</u>	<u>-</u>	<u>(19,561,560)</u>

General Revenues:

Taxes:

    General purpose levies \$ 6,120,761  
 Gaming 5,062,578

Unrestricted grants and contributions:

    State 7,381,586  
 Federal 63,000

Unrestricted investment earnings 35,302  
 Other 70,329

Total General Revenues 18,733,556

Total General Revenues, Special  
 Items Extraordinary Items and  
 Transfers 18,733,556

Change in net Assets (828,004)

Net Assets - Beginning 22,041,578  
 Prior period adjustments 295,740

Net Assets - Beginning - Restated 22,337,318

Net Assets - Ending \$ 21,509,314

The Accompanying Notes are an integral part of these Financial Statements

TUNICA COUNTY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2005

ASSETS	Major Funds	
	General Fund	School Lunch Fund
Cash and cash equivalents	\$ 3,363,427	159,731
Due from other governments	552,690	-
Due from other funds	151,201	15,000
Inventories and prepaid items	-	18,954
<b>Total Assets</b>	<b>\$ 4,067,318</b>	<b>193,685</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 136,146	299
Due to other funds	678,844	127,460
Deferred revenue	-	-
<b>Total Liabilities</b>	<b>814,990</b>	<b>127,759</b>
<b>Fund Balances:</b>		
<b>Reserved for:</b>		
Unemployment benefits	-	-
Inventory	-	18,954
<b>Unreserved, undesignated, reported in:</b>		
General Fund	3,252,328	-
Special Revenue Funds	-	46,972
Capital Projects funds	-	-
Debt Service Funds	-	-
<b>Total Fund Balances</b>	<b>3,252,328</b>	<b>65,926</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,067,318</b>	<b>193,685</b>

The Accompanying Notes are an integral part of these Financial Statements

EXHIBIT C

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
508,670	\$ 4,031,828
131,847	684,537
16,126	182,327
<u>-</u>	<u>18,954</u>
<u>656,643</u>	<u>\$ 4,917,646</u>
12,977	\$ 149,422
163,074	969,378
<u>77,094</u>	<u>77,094</u>
<u>253,145</u>	<u>1,195,894</u>
58,248	58,248
-	18,954
-	3,252,328
46,324	93,296
251,952	251,952
<u>46,974</u>	<u>46,974</u>
<u>403,498</u>	<u>3,721,752</u>
<u>656,643</u>	<u>\$ 4,917,646</u>

TUNICA COUNTY SCHOOL DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet to the  
 Statement of Net Assets  
 June 30, 2005

	Amount
Total Fund Balance - Governmental Funds	\$ 3,721,752
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$6,660,730.	24,782,660
2. Long-term liabilities are not due and payable in the current period expenditures and therefore are not reported in the funds.	(6,935,447)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(59,653)
4. Rounding.	2
Total Net Assets - Governmental Activities	\$ 21,509,314

The Accompanying Notes are an integral part of these Financial Statements

TUNICA COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	Major Funds	
	General Fund	School Lunch Funds
Revenues:		
Local sources	\$ 10,936,940	78,771
State sources	7,389,956	6,402
Federal sources	<u>63,000</u>	<u>1,244,636</u>
Total Revenues	<u>18,389,896</u>	<u>1,329,809</u>
Expenditures:		
Instruction	8,862,603	-
Support services	8,703,127	60,254
Noninstructional services	32,858	1,448,562
Facilities acquisition and contribution	-	-
Debt service:		
Principal	20,915	-
Interest	<u>9</u>	<u>-</u>
Total Expenditures	<u>17,619,512</u>	<u>1,508,816</u>
Excess (Deficiency) of Revenues over Expenditures	<u>770,384</u>	<u>(179,007)</u>
Other Financing Sources (Uses):		
Proceeds from loans	-	-
Sale of other property	4,416	-
Operating transfers in	1,920,023	250,000
Operating transfers out	<u>(4,002,809)</u>	<u>(1,277)</u>
Total Other Financing Sources (Uses)	<u>(2,078,370)</u>	<u>248,723</u>
Net Change in Fund Balances	<u>(1,307,986)</u>	<u>69,716</u>
Fund Balances:		
July 1, 2004	4,581,511	844
Prior period adjustments	<u>(1,028)</u>	<u>-</u>
July 1, 2004, as restated	<u>4,580,483</u>	<u>844</u>
Increase (Decrease) in reserve for inventory	<u>(20,169)</u>	<u>(4,634)</u>
June 30, 2005	<u>\$ 3,252,328</u>	<u>65,926</u>

The Accompanying Notes are an integral part of these Financial Statements

EXHIBIT D

Other Governmental Funds	Total Governmental Funds
393,007	\$ 11,408,718
425,740	7,822,098
<u>2,245,491</u>	<u>3,553,127</u>
<u>3,064,238</u>	<u>22,783,943</u>
2,300,914	11,163,517
1,375,997	10,139,378
61,522	1,542,942
475,322	475,322
1,600,584	1,621,499
236,909	236,918
<u>6,051,248</u>	<u>25,179,576</u>
<u>(2,987,010)</u>	<u>(2,395,633)</u>
2,000,000	2,000,000
-	4,416
2,931,631	5,101,654
<u>(1,097,568)</u>	<u>(5,101,654)</u>
<u>3,834,063</u>	<u>2,004,416</u>
<u>847,053</u>	<u>(391,217)</u>
(443,555)	4,138,800
-	(1,028)
<u>(443,555)</u>	<u>4,137,772</u>
-	(24,803)
<u>403,498</u>	<u>\$ 3,721,752</u>

TUNICA COUNTY SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2005

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (391,217)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$806,006 and the depreciation expense amounted to \$818,560.	(12,554)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	1,621,499
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(1,184)
4. The issuance of long-term debt provides current financial resources to the governmental funds, but the issuance increases long-term liabilities in the Statement of Activities.	(2,000,000)
5. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities net of proceeds.	-
6. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but Noninstructional expenditures are decreased in the Statement of Activities.	(24,803)
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the government funds: Compensated absences	(19,745)
Change in Net Assets of Governmental Activities	\$ (828,004)

The Accompanying Notes are an integral part of these Financial Statements

TUNICA COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2005

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 48,207
Due from other funds	<u>806,232</u>
Total Assets	<u>\$ 854,439</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 805,341
Due to other funds	19,181
Due to student clubs	<u>29,917</u>
Total Liabilities	<u>\$ 854,439</u>

The Accompanying Notes are an integral part of these Financial Statements

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America the school district is considered a "primary government." The school district is governed by a five (5) member board which each member was elected by the citizens of each defined county district.

B. Basis of Presentation

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

*Fund Financial Statements:*

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus on 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. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the 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. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. 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.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

School Lunch Fund - This fund is used to account for food distribution (CFDA #10.550), the school breakfast program (CFDA #10.553) and the national school lunch program (CFDA #10.555).

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Cash and Cash Equivalents.

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

The School district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide Statement of Net Assets. See Note 5 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect 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.

Interfund receivables and payable between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

*Government-wide Financial Statements:*

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

1. 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, constructions or improvement of those assets.
2. 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.
3. Unrestricted net assets - All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for unemployment benefits - An account that represents the fund balance of the unemployment revolving fund which is legally restricted for the payment of unemployment benefits.

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

M. Property Taxes

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

N. Mississippi Adequate Education Program Revenues

Revenues from the state minimum education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 36-7-307(5), Miss Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions in the governmental funds and the government-wide financial statement was \$4,031,828. The bank balance was \$4,811,412.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of a failure of a financial institutions, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, none of the district's bank balance of \$4,811,412 was exposed to custodial credit risk.

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due to</u>
<u>GENERAL FUND</u>		
General Fund	\$ 151,201	\$ 678,844
School Lunch Fund	15,000	127,460
Other governmental funds	16,126	163,074
Fiduciary Funds	<u>806,232</u>	<u>19,181</u>
 Total	 <u>\$ 988,559</u>	 <u>\$ 988,559</u>

Due from other funds represents amounts receivable from other funds and due to other funds represents amounts payable to other funds.

B. Transfers In/Out

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 1,920,023	\$ 4,002,809
School Lunch Fund	250,000	1,277
Other Governmental Funds	<u>2,931,631</u>	<u>1,097,568</u>
Total	<u>\$ 5,101,654</u>	<u>\$ 5,101,654</u>

Transfers-in represent the receipts of monies from other funds and transfers-out represent monies disbursed to other funds.

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in general fixed assets:

	Balance July 1, 2004	Addition	Retirement	Completed Construction	Adjustments	Balance June 30, 2005
<b>Non-depreciable Capital assets:</b>						
Land	\$ 160,050	-	-	-	-	\$ 160,050
Construction in progress	3,994,192	475,322	-	(4,641,892)	172,378	-
Total non-depreciable capital assets	<u>4,154,242</u>	<u>475,322</u>	<u>-</u>	<u>(4,641,892)</u>	<u>172,378</u>	<u>160,050</u>
<b>Depreciable capital assets:</b>						
Buildings	22,966,240	-	-	3,976,139	-	26,942,379
Building improvements	-	-	-	621,061	-	621,061
Improvement other than buildings	-	-	-	44,692	-	44,692
Mobile equipment	2,369,535	330,684	-	-	34,615	2,734,834
Furniture and equipment	973,117	-	-	-	(32,743)	940,374
Total depreciable capital assets	<u>26,308,892</u>	<u>330,684</u>	<u>-</u>	<u>4,641,892</u>	<u>1,872</u>	<u>31,283,340</u>
<b>Less accumulated depreciation for:</b>						
Buildings	3,864,776	527,291	-	-	-	4,392,067
Building improvements	-	24,842	-	-	-	24,842
Improvement other than buildings	-	1,788	-	-	-	1,788
Mobile equipment	1,452,156	180,642	-	-	(99,297)	1,533,501
Furniture and equipment	647,755	83,997	-	-	(23,220)	708,532
Total accumulated depreciation	<u>5,964,687</u>	<u>818,560</u>	<u>-</u>	<u>-</u>	<u>(122,517)</u>	<u>6,660,730</u>
Total depreciable capital assets, net	<u>20,344,205</u>	<u>(487,876)</u>	<u>-</u>	<u>4,641,892</u>	<u>124,389</u>	<u>24,622,610</u>
Governmental activities capital assets, net	<u>\$ 24,498,447</u>	<u>(12,554)</u>	<u>-</u>	<u>-</u>	<u>296,767</u>	<u>\$ 24,782,660</u>

Adjustments \$172,378 for understatement of prior year construction in progress. The adjustment to mobile equipment and furniture and equipment represents reclassification between the categories and a prior year understatement of \$1,872. The adjustments to accumulated depreciation for mobile equipment and furniture and equipment resulted from reclassifications and adjustments to reconcile the accounts with the fixed asset records.

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 177,349
Support services	641,211
Total depreciation expense	\$ 818,560

The capital assets above include significant amounts of land, buildings, mobile equipment, and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

**NOTE 5 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term and other obligations for governmental activities:

	Balance Jul. 1, 2004	Add.	Reduction	Adjustments	Balance June 30, 2005	Amount Due Within One Year
A. General obligation bond payable	\$4,760,000	-	(955,000)	-	\$ 3,805,000	\$ 985,000
B. Certificate of participation payable	1,500,000	-	(365,215)	-	1,134,785	497,002
C. Three mill note payable	-	2,000,000	(280,369)	-	1,719,631	384,237
D. Other loans payable	115,031	-	(20,915)	-	94,116	20,915
E. Compensated absences payable	162,170	19,745	-	-	181,915	3,142
Total	\$6,537,201	2,019,745	(1,621,499)	-	\$ 6,935,447	\$ 1,890,296

**A. General obligation bond payable.**

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Issued	Outstanding
GO Refunding Bonds, Series 2001	2.9 to 2.9 to 4.0%	9/1/01	9/1/08	\$ 7,150,000	\$ 3,805,000

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

The following is a schedule by years of the total payments on this debt:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 985,000	126,415	\$ 1,111,415
2007	1,020,000	89,806	1,109,806
2008	1,055,000	50,241	1,105,241
2009	745,000	14,900	759,900
Total	<u>\$ 3,805,000</u>	<u>281,362</u>	<u>\$ 4,086,362</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 1% property assessments as of October 1, 2004. This debt will be retired from the Debt Service Fund.

B. Certificate of participation payable

As more fully explained in Note 9, certificate of participation have been issued by the school district. Certificate of participation currently outstanding are as follows:

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2006	\$ 497,002	22,214	\$ 519,216
2007	508,734	10,482	519,216
2008	129,049	755	129,804
Total	<u>\$ 1,134,785</u>	<u>33,451</u>	<u>\$ 1,168,236</u>

This debt will be retired from the Debt Service Fund.

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

C. Three mill note payable

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 384,237	49,659	\$ 433,896
2007	396,484	37,412	433,896
2008	409,122	24,775	433,897
2009	422,162	11,734	433,896
2010	<u>107,626</u>	<u>848</u>	<u>108,474</u>
Total	<u>\$ 1,719,631</u>	<u>124,428</u>	<u>\$ 1,844,059</u>

This debt will be retired from the Debt Service Fund.

D. Other loans payable - Asbestos Abatement

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 20,915	-	\$ 20,915
2007	20,915	-	20,915
2008	20,915	-	20,915
2009	20,915	-	20,915
2010	<u>10,456</u>	<u>-</u>	<u>10,456</u>
Total	<u>\$ 94,116</u>	<u>-</u>	<u>\$ 94,116</u>

This debt will be retired from the District Maintenance Fund.

E. Compensated absences payable.

As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description. The school district 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004, and 2003 were \$1,252,145, \$1,245,359, and \$1,051,846, respectively, which equaled the required contributions for each year.

NOTE 7 - PRIOR PERIOD ADJUSTMENTS

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation

Reclassify fund equity - An adjustment to correct a prior year error in recording an asset or liability.	\$ <u>295,740</u>
--	-------------------

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balance

Explanation

Reclassify fund equity - An adjustment to correct a prior year error in recording an asset or liability.

General funds	\$ (1,028)
Total	\$ <u>(1,028)</u>

NOTE 8 - RISK MANAGEMENT

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

NOTE 9 - TRUST CERTIFICATES

A trust agreement dated September 10, 2003, was executed by and between the school district and Trustmark National Bank trustees. The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,500,000 for the acquisition, construction, installation and equipping of a middle school gymnasium in Tunica County, Mississippi. The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

TUNICA COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

JUNE 30, 2005

TUNICA COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2005

	Original	Final	Actual (GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 11,875,368	10,851,481	10,936,940	938,428	\$ (85,459)
Intermediate sources	2,538,492	-	-	2,538,492	-
State sources	14,741,112	7,388,881	7,389,956	7,351,156	(1,075)
Federal sources	50,038	276,596	63,000	(12,962)	213,596
Total Revenues	<u>29,205,010</u>	<u>18,516,958</u>	<u>18,389,896</u>	<u>10,815,114</u>	<u>127,062</u>
<b>Expenditures:</b>					
Instruction	10,697,125	9,477,245	8,862,603	1,834,522	614,642
Support services	8,953,405	9,475,950	8,703,127	250,278	772,823
Noninstructional services	46,070	33,008	32,858	13,212	150
Debt Service payment	22,190	20,924	20,924	1,266	-
Total Expenditures	<u>19,718,790</u>	<u>19,007,127</u>	<u>17,619,512</u>	<u>2,099,278</u>	<u>1,387,615</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>					
	<u>9,486,220</u>	<u>(490,169)</u>	<u>770,384</u>	<u>8,715,836</u>	<u>(1,260,553)</u>
<b>Other Financing Sources (Uses):</b>					
Other sources	-	4,417	4,416	(4,416)	1
Operating transfers in	221,502	2,045,096	1,920,023	(1,698,521)	125,073
Operating transfers out	<u>(2,311,546)</u>	<u>(4,160,109)</u>	<u>(4,002,809)</u>	<u>1,691,263</u>	<u>(157,300)</u>
Total Other Financing Sources (Uses)	<u>(2,090,044)</u>	<u>(2,110,596)</u>	<u>(2,078,370)</u>	<u>(11,674)</u>	<u>(32,226)</u>
<b>Net Change in Fund Balances</b>					
	<u>7,396,176</u>	<u>(2,600,765)</u>	<u>(1,307,986)</u>	<u>8,704,162</u>	<u>(1,292,779)</u>
<b>Fund Balances:</b>					
July 1, 2004	6,673,246	4,626,946	4,581,511	2,091,735	45,435
Prior period adjustment	(4,343)	(11,759)	(1,028)	(3,315)	(10,731)
July 1, 2004 as restated	<u>6,668,903</u>	<u>4,615,187</u>	<u>4,580,483</u>	<u>2,088,420</u>	<u>34,704</u>
Increase (Decrease) in reserve for inventory	-	-	(20,169)	20,169	20,169
June 30, 2005	<u>\$ 14,065,079</u>	<u>2,014,422</u>	<u>3,252,328</u>	<u>10,812,751</u>	<u>\$(1,237,906)</u>

TUNICA COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
School Lunch Fund  
For the Year Ended June 30, 2005

	Original	Final	Actual (GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 71,000	67,010	78,771	(7,771)	\$ (11,761)
State sources	6,000	6,402	6,402	(402)	-
Federal sources	<u>925,500</u>	<u>1,226,346</u>	<u>1,244,636</u>	<u>(319,136)</u>	<u>(18,290)</u>
Total Revenues	<u>1,002,500</u>	<u>1,299,758</u>	<u>1,329,809</u>	<u>(327,309)</u>	<u>(30,051)</u>
<b>Expenditures:</b>					
Support services	63,046	61,769	60,254	2,792	1,515
Noninstructional services	<u>1,367,543</u>	<u>1,452,773</u>	<u>1,448,562</u>	<u>(81,019)</u>	<u>4,211</u>
Total Expenditures	<u>1,430,589</u>	<u>1,514,542</u>	<u>1,508,816</u>	<u>(78,227)</u>	<u>5,726</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>					
	<u>(428,089)</u>	<u>(214,784)</u>	<u>(179,007)</u>	<u>(249,082)</u>	<u>(35,777)</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	251,104	251,104	250,000	-	1,104
Operating transfers out	<u>-</u>	<u>(1,277)</u>	<u>(1,277)</u>	<u>1,277</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>251,104</u>	<u>249,827</u>	<u>248,723</u>	<u>1,277</u>	<u>1,104</u>
<b>Net Change in Fund Balances</b>					
	<u>(176,985)</u>	<u>35,043</u>	<u>69,716</u>	<u>(247,805)</u>	<u>(34,673)</u>
<b>Fund Balances:</b>					
July 1, 2004	<u>24,743</u>	<u>844</u>	<u>844</u>	<u>23,899</u>	<u>-</u>
Inventory change	<u>-</u>	<u>(4,634)</u>	<u>(4,634)</u>	<u>4,634</u>	<u>-</u>
June 30, 2005	<u>\$ (152,242)</u>	<u>31,253</u>	<u>65,926</u>	<u>(219,272)</u>	<u>\$ (34,673)</u>

TUNICA COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2005

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before the date established by the Mississippi Department of Education. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

TUNICA COUNTY SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through MS Department of Education:		
Non-Cash Assistance:		
Food donation	10.550	\$ <u>52,137</u>
Child Nutrition Cluster		
School Breakfast Program	10.553	421,847
National School Lunch Program	10.555	767,089
Summer Food Service Program for Children	10.559	<u>53,569</u>
Total Child Nutrition Cluster		<u>1,242,505</u>
Child and Adult Care Food Program	10.558	<u>3,562</u>
Total U.S. Department of Agriculture		<u>1,298,204</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - Grants to local educational agencies	84.010	1,219,518
Vocational education - basic grants to states	84.048	31,700
Safe and drug-free schools and communities - state grants	84.186	18,600
Even start - state educational agencies	84.213	103,790
Eisenhower professional development state grants	84.281	293,199
Education technology state grants	84.318	18,146
Class size reduction	84.340	<u>11,911</u>
Total		<u>1,696,864</u>

TUNICA COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 434,119
Special education - preschool grants	84.173	<u>13,678</u>
Total		<u>447,797</u>
Total passed-through Mississippi Department of Education		<u>2,144,661</u>
Total U.S. Department of Education		<u>2,144,661</u>
Other Federal Assistance		
<u>U. S. Department of Defense</u>		
Direct Program:		
Reserve Officer Training Program	12.XXX	<u>47,253</u>
Total U. S. Department of Defense		<u>47,253</u>
Total for All Federal Awards		<u>\$ 3,490,118</u>

TUNICA COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
Notes to Schedule  
For the Year Ended June 30, 2005

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the general purpose financial statements.
2. The expenditure amounts do not include transfers out.
3. The pass-through entities did not assign identifying number to the school district.

TUNICA COUNTY SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures  
 Governmental Funds  
 For the Year Ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 17,472,511	10,501,969	2,250,440	\$ 4,720,102
Other	<u>7,707,065</u>	<u>661,548</u>	<u>1,165,400</u>	<u>5,880,117</u>
Total	<u>\$ 25,179,576</u>	<u>11,163,517</u>	<u>3,415,840</u>	<u>\$ 10,600,219</u>
 Total number of students*	 2,250			
 Cost per student	 \$ 11,191	 4,962	 1,518	 4,711

For purpose of this schedule, the following columnar descriptions are applicable:

Instruction - Includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000 functional codes)

Administrative - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - School Administration (2400s); and Support Services - Business (2500s)

Other - includes all expenditure functions not included in Instruction or Administrative

\*Includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

Include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line.



**BANKS, FINLEY,  
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Tunica County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Tunica County School District as of and for the year ended June 30, 2005, which collectively comprise the Tunica County School District's basic financial statements and have issued our report thereon dated January 20, 2006. 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 the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district'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 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*.

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

*Banks, Finley, White & Co.*

January 20, 2006



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Tunica County School District

Compliance

We have audited the compliance of the Tunica County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Tunica County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Tunica County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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

*Bent, Fily, White & Co.*  
January 20, 2006



**BANKS, FINLEY,  
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS**

Superintendent and School Board  
Tunica County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Tunica County School District as of and for the year ended June 30, 2005, which collectively comprise the Tunica County School District's basic financial statements and have issued our report thereon dated January 20, 2006. 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*.

Section 37-9-18(3), Miss Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$20,295 classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with other state laws and regulations and our audit of the basic financial statements did not disclose any instances of noncompliance state laws and regulations.

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

*Banks, Finley, White & Co.*

January 20, 2006

TUNICA COUNTY SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the basic financial statements.                     | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements.                     | None        |
| 3. | Internal control over financial reporting:   |             |
|    | a. Material weaknesses identified?   | None        |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | None        |

Federal Awards:

- |     |   |             |
|-----|---|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs  | Unqualified |
| 5.  | Internal control over major programs:   |             |
|     | a. Material weaknesses identified?  | None        |
|     | b. Reportable conditions identified that are not considered to be material weaknesses?  | None        |
| 6.  | Any audit findings reported as required by Section __.510(a) of Circular A-133?   | No          |
| 7.  | Federal programs identified as major programs:  |             |
|     | a. Cluster: Child Nutrition<br>CFDA #10.553<br>CFDA #10.555<br>CFDA #10.559   |             |
|     | b. CFDA #84.010, Title I Grants to Local Educational Agencies   |             |
|     | c. Cluster: Special Education<br>CFDA #84.027<br>CFDA #84.173   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9.  | Auditee quality as a low-risk auditee?  | No          |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No          |

TUNICA COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

Section 2: Findings Relating to the Financial Statements

The results of our test did not disclosed any findings and questioned cost related to the financial statements.

Section 3: Federal Award Findings and Questioned Costs

The results of our test did not disclosed any findings and questioned cost related to the federal awards.

**TUNICA COUNTY SCHOOL DISTRICT  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

There were no prior year findings