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TUNICA COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2007

TUNICA COUNTY SCHOOL DISTRICT
June 30, 2007

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TUNICA COUNTY SCHOOL DISTRICT
June 30, 2007

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**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 accompanying 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, 2007, 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, 2007, 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 February 28, 2008, 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 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 on pages 3 through 10 and the Budgetary Comparison Schedule and corresponding notes on pages 36 through 40 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures, Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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, Faily, White & Co.

February 28, 2008

TUNICA COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2007

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, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the financial statements and the notes to the basic 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.

Financial Highlights

Total net assets increased \$2,543,029, which represents an 11% increase from fiscal year 2006.

General revenues account for \$21,644,578 in revenue, or 84% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,981,519 or 16% of total revenues.

The District had \$23,114,099 in expenses; only \$3,981,519 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$21,644,578 were adequate to provide for these programs.

Among major funds, the General Fund had \$20,819,573 in revenues and \$17,206,671 in expenditures. The General Fund's fund balance increased \$1,188,985 from the prior year.

Capital assets, net of accumulated depreciation, decreased by \$763,433 from the prior year. This decrease was due mainly to depreciation of the capital assets.

Long-term debt decreased by \$2,181,510 from the prior year. This decrease was due to the annual principal payment on the debt.

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, 2007**

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, sixteenth section and interest on long-term liabilities.

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

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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, 2007

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. 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 and each additional major fund. This required supplementary information can be found within this report.

Additionally, 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 a government's financial position. In the case of the District, assets exceeded liabilities by \$26,409,793 as of June 30, 2007.

By far the largest portion of the District's net assets \$20,576,600 reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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, 2007**

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007, compared to 2006, respectively.

	<u>NET ASSETS</u>		Percentage Change
	<u>JUNE 30, 2007</u>	<u>JUNE 30, 2006</u>	
Current assets	\$ 6,091,692	\$ 4,919,709	23.82 %
Capital assets, net	<u>23,496,844</u>	<u>24,260,277</u>	(3.15)%
Total assets	<u>\$ 29,588,536</u>	<u>\$ 29,179,986</u>	1.40 %
Current liabilities	\$ 142,040	\$ 2,114,787	(93.28)%
Long-term debt outstanding	<u>3,036,703</u>	<u>3,198,435</u>	(5.06)%
Total liabilities	<u>\$ 3,178,743</u>	<u>\$ 5,313,222</u>	(40.17)%
Net assets			
Invested in capital assets, net of related debt	\$ 20,576,600	19,393,900	6.10 %
Restricted	259,918	329,869	(21.21)%
Unrestricted	<u>5,573,275</u>	<u>4,142,995</u>	34.52 %
Total net assets	<u>\$ 26,409,793</u>	<u>23,866,764</u>	10.66 %

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

Increase in total current assets in the amount of	\$ 1,171,983
Decrease in net capital assets in the amount of	\$ 763,433
Decrease in current liabilities in the amount of	\$ 1,972,747
Decrease in long-term liabilities in the amount of	\$ 161,732

**TUNICA COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

Changes in net assets - The District's total revenues for the fiscal year ended June 30, 2007 were \$25,626,097. The total cost of all programs and services was \$23,114,099. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2007 and 2006, respectively.

The following table shows the changes in net assets for fiscal year ending June 30, 2007 compared to 2006.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>JUNE 30, 2007</u>	<u>JUNE 30, 2006</u>	
Revenues			
Program revenues:			
Charges for services	\$ 135,638	146,733	(7.56)%
Operating grants and contributions	3,845,881	3,922,590	(1.96)%
Capital grants and contributions	-	69,480	(100.00)%
General revenues:			
Property taxes	7,349,759	6,957,394	5.64 %
Gaming	5,201,999	5,125,559	1.49 %
Grants and contributions not restricted	8,867,598	8,259,715	7.36
Other	<u>225,222</u>	<u>137,450</u>	<u>63.86</u>
Total revenues	<u>\$ 25,626,097</u>	<u>24,618,921</u>	<u>4.09 %</u>
Expenses:			
Instruction	11,899,168	11,103,319	7.17 %
Support services	9,281,845	9,698,023	(4.29)%
Non-instructions	1,775,617	1,460,867	21.55 %
Interest and other expense on long-term liabilities	<u>157,469</u>	<u>168,518</u>	<u>(6.56)%</u>
Total expenses	<u>23,114,099</u>	<u>22,430,727</u>	<u>3.05 %</u>
Increase (Decrease) in net assets	2,511,998	2,188,194	14.80 %
Net Asset, July 1	23,866,764	21,509,314	10.96 %
Prior period adjustment	<u>31,031</u>	<u>169,256</u>	<u>(81.67)%</u>
Net assets, July 1, Restated	<u>23,897,795</u>	<u>2,167,850</u>	
Net Asset, June 30	<u>\$ 26,409,793</u>	<u>23,866,764</u>	<u>10.66 %</u>

**TUNICA COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

Governmental activities - The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, 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>2007</u>		<u>2006</u>	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 11,899,168	\$ (10,414,523)	\$ 11,103,319	\$ (9,368,967)
Support services	9,281,845	(8,109,366)	9,698,023	(8,585,203)
Non-instructional	1,775,617	(451,222)	1,460,867	(169,236)
Sixteenth section	-	-	-	-
Interest on long-term liabilities	157,469	(157,469)	168,518	(168,518)
Total expenses	<u>\$ 23,114,099</u>	<u>\$ (19,132,580)</u>	<u>\$ 22,430,727</u>	<u>\$ (18,291,924)</u>

Net cost of governmental activities \$19,132,580, was financed by general revenue, which is made up of primarily property taxes \$7,349,759, gaming revenues of \$5,201,999, and state revenues of \$8,719,245.

Investment earnings accounted for \$142,042 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 \$5,978,901, an increase of \$1,127,926 from the prior year. \$5,818,558 or 97% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$160,343 or 3% is reserved or designated to indicate that it is not available for spending because it has already been committed.

**TUNICA COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,188,985. The fund balance of the Other Governmental Funds showed a decrease in the amount of \$61,059. The other major funds and their increase (decrease) in fund balances were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
USDA Grant	\$ -
Title I Grant	-
Title II Grant	-

Budgetary Highlights

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

- ◆ Budgeted amounts for revenues from local sources were increased due to increase receipts from special activities.
- ◆ Budgeted amounts for revenues from state sources were decreased due to reduction of MAEP fund final allocation
- ◆ Budgeted amounts for revenues from federal sources were increased due to a special education cluster grant and an increase in e-rate reimbursements.
- ◆ Budgeted amounts for instructions increased due to teachers raises and an increase in insurance.
- ◆ Budgeted amounts for support services decreased due to staff vacancies not filled and replacement of staffs at a lower pay rate.

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

Capital Assets and Debt Administration

Capital Assets - As of June 30, 2007, the District's total capital assets were \$31,620,477, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$35,745 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$8,123,633, and total depreciation expense for the year was \$846,964, resulting in total net capital assets of \$23,496,844.

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

**TUNICA COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

The following table shows fiscal year ending June 30, 2007 compared to 2006.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
Land	\$ 160,050	\$ 160,050	- %
Buildings	21,500,622	22,057,515	(2.52)%
Building improvements	546,534	571,376	(4.35)%
Improvements other than buildings	39,329	41,117	(4.35)%
Mobile equipment	1,118,931	1,213,502	(7.79)%
Furniture and equipment	131,378	216,717	(39.38)%
Total	<u>\$ 23,496,844</u>	<u>\$ 24,260,277</u>	(3.15)%

Debt Administration - At June 30, 2007, the District had \$2,920,244 in general obligation bonds and other long-term debt outstanding, of which \$1,614,085 is due within one year. In addition, the liability for compensated absences decreased by \$22,138 from the prior year.

The District maintains a AA insured rating with Standard and Poor's and an AA insured rating with Moody's Investor Services.

Additional information of the District's long-term debt can be found in Note 6 of this report.

The following table shows fiscal year ending June 30, 2007 compared to 2006.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
General obligation bonds payable	\$ 1,800,000	\$ 2,820,000	(36.17)%
Certificate of participation payable	129,048	637,782	(79.77)%
Three mill note payable	938,910	1,335,394	(29.69)%
Shortfall note payable	-	213,239	(100.00)%
Other loans payable	52,286	73,201	(28.57)%
Compensated absences payable	116,459	138,597	(15.97)%
Total	<u>\$ 3,036,703</u>	<u>\$ 5,218,213</u>	(41.81)%

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 remained the lowest of all Districts. 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Tunica County School District, 744 School Street, P.O. Box 758, Tunica, MS 38676.

TUNICA COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,062,359
Due from other governments	828,423
Other receivables	178,280
Inventories	22,630
Capital assets, nondepreciable	160,050
Land	
Capital assets, net of accumulated depreciation:	
Buildings	21,500,622
Building improvements	546,534
Improvements other than buildings	39,329
Mobile equipment	1,118,931
Furniture and equipment	131,378
Total Assets	\$ 29,588,536
Liabilities	
Accounts payable and accrued liabilities	\$ 67,411
Unearned revenue	45,377
Interest payable on long-term liabilities	29,252
Long-term liabilities, due within one year	
Capital related liabilities	1,614,085
Non-capital related liabilities	5,127
Long-term liabilities, due beyond one year	
Capital related liabilities	1,306,159
Non-capital related liabilities	111,332
Total Liabilities	3,178,743
Net Assets	
Investment in capital assets, net of related debt	20,576,600
Restricted net assets:	
Expendable:	
School-based activities	122,205
Debt service	76,865
Unemployment benefits	60,848
Unrestricted	5,573,275
Total Net Asset	26,409,793
Total Liabilities and Net Assets	\$ 29,588,536

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

TUNICA COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$11,899,168	63,315	1,421,330	-	\$(10,414,523)
Support services	9,281,845	-	1,172,479	-	(8,109,366)
Non-instructional	1,775,617	72,323	1,252,072	-	(451,222)
Interest on long-term liabilities	<u>157,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(157,469)</u>
Total Governmental Activities	<u>\$23,114,099</u>	<u>135,638</u>	<u>3,845,881</u>	<u>-</u>	<u>(19,132,580)</u>
General Revenues:					
Taxes:					
					\$ 6,496,924
					852,835
					5,201,999
Unrestricted grants and contributions:					
					8,719,245
					148,353
					142,042
					<u>83,180</u>
					<u>21,644,578</u>
Total General Revenues, Special Items Extraordinary Items and Transfers					
					<u>21,644,578</u>
Change in Net Assets					
					<u>2,511,998</u>
Net Assets - Beginning					
					23,866,764
Prior period adjustments					
					<u>31,031</u>
Net Assets - Beginning - Restated					
					<u>23,897,795</u>
Net Assets - Ending					
					<u>\$ 26,409,793</u>

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

TUNICA COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2007

	Major Funds		
	General Fund	USDA Grant Fund	Title I Grant Fund
ASSETS			
Cash and cash equivalents	\$ 4,695,121	467	9,017
Due from other governments	581,924	107,173	40,363
Due from other funds	445,783	-	2,250
Inventories and prepaid items	-	-	-
Total Assets	<u>\$ 5,722,828</u>	<u>107,640</u>	<u>51,630</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 38,154	-	629
Due to other funds	-	107,640	51,001
Unearned revenue	858	-	-
Total Liabilities	<u>39,012</u>	<u>107,640</u>	<u>51,630</u>
Fund Balances:			
Reserved for:			
Inventory	-	-	-
Debt service	-	-	-
Unemployment benefits	-	-	-
Undesignated, reported in:			
General Fund	5,683,816	-	-
Special Revenue Funds	-	-	-
Total Fund Balances	<u>5,683,816</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 5,722,828</u>	<u>107,640</u>	<u>51,630</u>

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

EXHIBIT C

Title II Grant Funds	Other Governmental Funds	Total Governmental Funds
34,972	322,782	\$ 5,062,359
17,473	81,489	828,422
284	41,416	489,733
<u>-</u>	<u>22,630</u>	<u>22,630</u>
<u>52,729</u>	<u>468,317</u>	<u>\$ 6,403,144</u>
811	27,817	\$ 67,411
51,918	100,896	311,455
<u>-</u>	<u>44,519</u>	<u>45,377</u>
<u>52,729</u>	<u>173,232</u>	<u>424,243</u>
-	22,630	22,630
-	76,865	76,865
-	60,848	60,848
-	-	5,683,816
<u>-</u>	<u>134,742</u>	<u>134,742</u>
<u>-</u>	<u>295,085</u>	<u>5,978,901</u>
<u>52,729</u>	<u>468,317</u>	<u>\$ 6,403,144</u>

TUNICA COUNTY SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the
 Statement of Net Assets
 June 30, 2007

	Amount
Total Fund Balance - Governmental Funds	\$ 5,978,901
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$8,123,633.	23,496,844
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,036,703)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(29,252)
4. Rounding.	3
Total Net Assets - Governmental Activities	\$ 26,409,793

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

TUNICA COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	Major Funds		
	General Fund	USDA Grant Funds	Title I Grant Funds
Revenues:			
Local sources	\$ 11,928,791	-	-
Intermediate sources	-	-	-
State sources	8,735,161	-	-
Federal sources	155,621	107,173	986,806
Total Revenues	<u>20,819,573</u>	<u>107,173</u>	<u>986,806</u>
Expenditures:			
Instruction	9,300,809	-	369,841
Support services	7,849,442	107,173	421,436
Noninstructional services	35,505	-	-
Debt service:			
Principal	20,915	-	-
Interest	-	-	-
Other	-	-	-
Total Expenditures	<u>17,206,671</u>	<u>107,173</u>	<u>791,277</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,612,902</u>	<u>-</u>	<u>195,529</u>
Other Financing Sources (Uses):			
Proceeds from loans	163,000	-	-
Sale of transportation equipment	1,060	-	-
Insurance loss recovery	62,886	-	-
Operating transfers in	-	-	-
Other sources	34,112	-	-
Operating transfers out	(2,712,425)	-	(195,529)
Total Other Financing Sources (Uses)	<u>(2,451,367)</u>	<u>-</u>	<u>(195,529)</u>
Net Change in Fund Balances	<u>1,161,535</u>	<u>-</u>	<u>-</u>
Fund Balances:			
July 1, 2006	4,494,831	-	-
Prior period adjustments	27,450	-	-
July 1, 2006, as restated	<u>4,522,281</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in reserve for inventory	-	-	-
June 30, 2007	<u>\$ 5,683,816</u>	<u>-</u>	<u>-</u>

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

EXHIBIT D

Title II Grant Funds	Other Governmental Funds	Total Governmental Funds
-	550,153	\$ 12,478,944
-	388,821	388,821
-	497,008	9,232,169
<u>178,378</u>	<u>2,053,332</u>	<u>3,481,310</u>
<u>178,378</u>	<u>3,489,314</u>	<u>25,581,244</u>
154,047	1,513,087	11,337,784
20,059	926,943	9,325,053
-	1,572,536	1,608,041
-	2,301,457	2,322,372
-	151,216	151,216
-	3,276	3,276
<u>174,106</u>	<u>6,468,515</u>	<u>24,747,742</u>
<u>4,272</u>	<u>(2,979,201)</u>	<u>833,502</u>
-	-	163,000
-	-	1,060
-	-	62,886
-	3,040,633	3,040,633
-	-	34,112
(4,272)	(128,407)	(3,040,633)
<u>(4,272)</u>	<u>2,912,226</u>	<u>261,058</u>
-	<u>(66,975)</u>	<u>1,094,560</u>
-	356,144	4,850,975
-	-	27,450
-	<u>356,144</u>	<u>4,878,425</u>
-	<u>5,916</u>	<u>5,916</u>
-	<u>295,085</u>	<u>\$ 5,978,901</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, 2007

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 1,094,560
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 \$133,157 and the depreciation expense amounted to \$846,964.	(713,807)
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.	2,322,372
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.	(2,977)
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.	(163,000)
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(53,208)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but Noninstructional expenditures are (decreased) increased in the Statement of Activities.	5,916
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: Compensated absences	22,138
7. Rounding	4
Change in Net Assets of Governmental Activities	\$ 2,511,998

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

TUNICA COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2007

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,031,896
Due from other funds	<u>729</u>
Total Assets	<u>\$ 1,032,625</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 830,084
Due to other funds	179,007
Due to student clubs	<u>23,534</u>
Total Liabilities	<u>\$ 1,032,625</u>

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

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

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.

The Tunica county School District Leasing Corporation ("the Corporation") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Corporation is governed by a Tunica County School District Leasing Corporation member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 9).

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.

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

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. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

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 and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used regardless of when the related cash flow takes place. 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 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.

USDA Grant Fund - This fund accounts for financial resources to be used for the summer food program of the district.

Title I Fund - This fund is used to account for the revenues received for the education of economically deprived children.

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

Title II Fund - This fund is used to account for the revenues received for the Eisenhower professional development state grant.

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.

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 broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2003, issued by the U.S. Department of Education

E. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from purchase orders, work orders and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

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 three months or less. Cash and cash equivalents are valued at cost.

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

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 three 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).

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 acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

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.

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

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. In the Government-wide State of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details

K. Interfund Transaction 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.

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."

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

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 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.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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

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 adequate 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 37-7-307(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 the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 2 - CASH AND CASH EQUIVALENTS

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows:

Deposits - The school board must advertise and accept bids for depositories not less than once every three years as required by Section 37-7-333, Miss Code Ann. (1972). The collateral pledged for the school district's 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 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 reported in the governmental funds and fiduciary funds was \$5,062,359 and \$1,031,896 respectively. The carrying amount of deposits reported in the government-wide financial statements was cash and cash equivalents - \$5,062,359. The bank balance was \$7,017,065.

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 deposit 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, 2007, none of the district's bank balance of \$7,017,065 was exposed to custodial credit risk.

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due to
<u>GOVERNMENTAL FUNDS:</u>		
General Fund	\$ 445,783	\$ -
USDA Grant Funds	-	107,640
Title I Grant Funds	2,250	51,001
Title II Grant Funds	284	51,918
Other governmental funds	41,416	100,896
Total Governmental Funds	489,733	311,455
Fiduciary Funds	729	179,007
Total	\$ 490,462	\$ 490,462

Interfund loans were mainly for negative cash balances in pooled bank accounts.

B. Transfers In/Out

	Transfer In	Transfers Out
Governmental Funds:		
General Fund	\$ -	\$ 2,712,425
Title I Grant Funds	-	195,529
Title II Grant Funds	-	4,272
Other Governmental Funds	3,040,633	128,407
Total	\$ 3,040,633	\$ 3,040,633

Transfers in/out are for budgetary purposes.

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for governmental activities:

	Balance July 1, 2006	Additions	Retirements	Completed Construction	Adjustments	Balance June 30, 2007
<u>Non-depreciable Capital assets:</u>						
Land	\$ 160,050	-	-	-	-	\$ 160,050
Total non-depreciable capital assets	<u>160,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,050</u>
<u>Depreciable capital assets:</u>						
Buildings	26,977,578	-	-	-	-	26,977,578
Building improvements	621,061	-	-	-	-	621,061
Improvement other than buildings	44,692	-	-	-	-	44,692
Mobile equipment	2,771,693	127,425	53,300	-	-	2,845,818
Furniture and equipment	<u>1,009,658</u>	<u>5,732</u>	<u>44,112</u>	<u>-</u>	<u>-</u>	<u>971,278</u>
Total depreciable capital assets	<u>31,424,682</u>	<u>133,157</u>	<u>97,412</u>	<u>-</u>	<u>-</u>	<u>31,460,427</u>
<u>Less accumulated depreciation for:</u>						
Buildings	4,920,063	556,893	-	-	-	5,476,956
Building improvements	49,685	24,842	-	-	-	74,527
Improvements other than buildings	3,575	1,788	-	-	-	5,363
Mobile equipment	1,558,191	173,493	4,797	-	-	1,726,887
Furniture and equipment	<u>792,941</u>	<u>89,948</u>	<u>39,407</u>	<u>-</u>	<u>(3,582)</u>	<u>839,900</u>
Total accumulated depreciation	<u>7,324,455</u>	<u>846,964</u>	<u>44,204</u>	<u>-</u>	<u>(3,582)</u>	<u>8,123,633</u>
Total depreciable capital assets, net	<u>24,100,227</u>	<u>(713,807)</u>	<u>53,208</u>	<u>-</u>	<u>3,582</u>	<u>23,336,794</u>
Governmental activities capital assets, net	<u>\$ 24,260,277</u>	<u>(713,807)</u>	<u>53,208</u>	<u>-</u>	<u>3,582</u>	<u>\$ 23,496,844</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 121,359
Support services	<u>725,605</u>
Total depreciation expense	<u>\$ 846,964</u>

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.

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 5 - LONG-TERM LIABILITIES

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

	Balance Jul. 1, 2006	Additions	Reduction	Adjustments	Balance June 30, 2007	Amount Due Within One Year
A. General obligation bond payable	\$ 2,820,000	-	1,020,000	-	\$ 1,800,000	\$ 1,055,000
B. Certificate of participation payable	637,782	-	508,734	-	129,048	129,048
C. Three mill note payable	1,335,394	-	396,484	-	938,910	409,122
D. Shortfall note payable	213,239	163,000	376,239	-	-	-
E. Other loans payable	73,201	-	20,915	-	52,286	20,915
F. Compensated absences payable	138,597	-	22,138	-	116,459	5,127
Total	\$ 5,218,213	163,000	2,344,510	-	\$ 3,036,703	\$ 1,619,212

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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation Refunding Bonds, Series 2001	2.9 to 2.9 to 4.0%	9/1/01	9/1/08	\$ 7,150,000	\$ 1,800,000

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,055,000	50,241	\$ 1,105,241
2009	745,000	14,900	759,900
Total	\$ 1,800,000	65,141	\$ 1,865,141

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, 2007, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2006. 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, 2007

B. Certificate of participation payable

As more fully explained in Note 9, a certificate of participation has been issued by the school district. The certificate of participation currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Certificate of participation Bonds, Series 2003	2.43%	9/10/03	8/10/07	\$ 1,500,000	\$ 129,048

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>
2008	\$ 129,048	755	\$ 129,803
Total	\$ 129,048	755	\$ 129,803

This debt will be retired from the TCS debt TMS gym fiscal year 2004 Debt Service Fund.

C. Three mill notes payable

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Series 2004	3.15%	7/27/04	7/27/09	\$ 2,000,000	\$ 938,910

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>
2008	\$ 409,122	24,775	\$ 433,897
2009	422,162	11,734	433,896
2010	107,626	848	108,474
Total	\$ 938,910	37,357	\$ 976,267

This debt will be retired from the TSC debt three mill fiscal year 2004 Debt Service Fund.

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

D. Shortfall notes payable

These notes were fully retired during the fiscal year ended June 30, 2007.

E. Other loans payable

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding</u>
EPA asbestos abatement		5/4/90	11/30/09	\$ 376,465	\$ 52,286
Total				<u>\$ 7,150,000</u>	<u>\$ 1,800,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 20,915	-	\$ 20,915
2009	20,915	-	20,915
2010	<u>10,456</u>	<u>-</u>	<u>10,456</u>
Total	<u>\$ 52,286</u>	<u>-</u>	<u>\$ 52,286</u>

This debt will be retired from the District Maintenance Fund.

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

F. 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.

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 rate for fiscal year ended June 30, 2007 was 11.30% 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, 2007, 2006, and 2005 were \$1,521,852, \$1,391,993, and \$1,252,145, respectively, which equaled the required contributions for each year.

NOTE 7 - PRIOR PERIOD ADJUSTMENTS/EXHIBITS

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. General Fund - to reduce prior year expenditures	\$ 27,450
2. Capital assets, net of depreciation - to correct prior year error	3,582
	<u>\$ 31,032</u>

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

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

<u>Major Fund</u>	<u>Explanations</u>	<u>Amount</u>
General fund	To reduce prior year expenditures	\$ <u>27,450</u>
		\$ <u>27,450</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.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Worker's Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Worker's Compensation Commission requires that an indemnity agreement be executed by each member in a worker's compensation self-insurance pool for the purpose of jointly and severally, binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000 MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 9 - TRUST CERTIFICATES

A trust agreement dated September 10, 2003, was executed by and between the school district and Trustmark National Bank as trustee.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,500,000.

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.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

TUNICA COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

JUNE 30, 2007

TUNICA COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Local sources	\$ 12,182,679	11,933,416	11,928,791	(249,263)	\$ (4,625)
State sources	8,681,694	8,738,142	8,735,161	56,448	(2,981)
Federal sources	218,241	148,874	155,621	(69,367)	6,747
Total Revenues	<u>21,082,614</u>	<u>20,820,432</u>	<u>20,819,573</u>	<u>(262,182)</u>	<u>(859)</u>
Expenditures:					
Instruction	9,830,835	9,300,808	9,300,809	530,027	(1)
Support services	8,278,018	7,849,442	7,849,442	428,576	-
Noninstructional services	58,069	35,505	35,505	22,564	-
Debt Service:					
Principal	20,915	20,915	20,915	-	-
Total Expenditures	<u>18,187,837</u>	<u>17,206,670</u>	<u>17,206,671</u>	<u>981,167</u>	<u>(1)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,894,777</u>	<u>3,613,762</u>	<u>3,612,902</u>	<u>718,985</u>	<u>(860)</u>
Other Financing Sources (Uses):					
Sale of transportation equipment	-	1,060	1,060	(1,060)	-
Insurance loss recovery	-	62,886	62,886	(62,886)	-
Proceeds from loans	163,296	163,000	163,000	296	-
Operating transfers in	1,250,335	1,130,900	-	119,435	1,130,900
Other sources	-	34,113	34,112	(34,113)	(1)
Operating transfers out	<u>(4,118,872)</u>	<u>(3,843,325)</u>	<u>(2,712,425)</u>	<u>(275,547)</u>	<u>(1,130,900)</u>
Total Other Financing Sources (Uses)	<u>(2,705,241)</u>	<u>(2,451,366)</u>	<u>(2,451,367)</u>	<u>253,875</u>	<u>(1)</u>
Net Change in Fund Balances	<u>189,536</u>	<u>1,162,396</u>	<u>1,161,535</u>	<u>972,860</u>	<u>(861)</u>
Fund Balances:					
July 1, 2006	4,317,837	4,367,351	4,494,831	49,514	(127,480)
Prior period adjustment	-	154,930	27,450	154,930	127,480
July 1, 2006 as restated	<u>4,317,837</u>	<u>4,522,281</u>	<u>4,522,281</u>	<u>204,444</u>	<u>-</u>
June 30, 2007	<u>\$ 4,507,373</u>	<u>5,684,677</u>	<u>5,683,816</u>	<u>1,177,304</u>	<u>\$ (861)</u>

The notes to the required supplementary information are an integral part of this statement.

TUNICA COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Governmental Funds
 USDA Grant Funds
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	<u>Variances Positive(Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Federal sources	\$ -	107,173	107,173	107,173	-
Total Revenues	<u>-</u>	<u>107,173</u>	<u>107,173</u>	<u>107,173</u>	<u>-</u>
Expenditures:					
Support services	-	107,173	107,173	(107,173)	-
Total Expenditures	<u>-</u>	<u>107,173</u>	<u>107,173</u>	<u>(107,173)</u>	<u>-</u>
Fund Balances:					
July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2007	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>

The notes to the required supplementary information are an integral part of this statement.

TUNICA COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Governmental Funds
 Title I Grant Fund
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	<u>Variance</u> Positive (Negative)	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Federal sources	\$ 871,533	986,806	986,806	115,273	\$ -
Total Revenues	<u>871,533</u>	<u>986,806</u>	<u>986,806</u>	<u>115,273</u>	<u>-</u>
Expenditures:					
Instruction	342,805	369,841	369,841	(27,036)	-
Support services	350,728	421,436	421,436	(70,708)	-
Total Expenditures	<u>693,533</u>	<u>791,277</u>	<u>791,277</u>	<u>(97,744)</u>	<u>-</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>178,000</u>	<u>195,529</u>	<u>195,529</u>	<u>17,529</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(178,000)</u>	<u>(195,529)</u>	<u>(195,529)</u>	<u>(17,529)</u>	<u>-</u>
Total Other Financing Sources	<u>(178,000)</u>	<u>(195,529)</u>	<u>(195,529)</u>	<u>(17,529)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2007	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>

The notes to the required supplementary information are an integral part of this statement.

TUNICA COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Governmental Funds
 Title II Grant Funds
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Federal sources	\$ 189,851	178,378	178,378	(11,473)	\$ -
Total Revenues	<u>189,851</u>	<u>178,378</u>	<u>178,378</u>	<u>(11,473)</u>	<u>-</u>
Expenditures:					
Instruction	165,000	154,047	154,047	10,953	-
Support services	20,579	20,059	20,059	520	-
Total Expenditures	<u>185,579</u>	<u>174,106</u>	<u>174,106</u>	<u>11,473</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,272</u>	<u>4,272</u>	<u>4,272</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(4,272)</u>	<u>(4,272)</u>	<u>(4,272)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(4,272)</u>	<u>(4,272)</u>	<u>(4,272)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2007	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>

The notes to the required supplementary information are an integral part of this statement.

TUNICA COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2007

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedules present 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 October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue 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, 2007

<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>68,765</u>
Child Nutrition Cluster		
School Breakfast Program	10.553	371,065
National School Lunch Program	10.555	799,940
Summer Food Service Program for Children	10.559	<u>62,880</u>
Total Child Nutrition Cluster		<u>1,233,885</u>
Child and Adult Care Food Program	10.558	2,834
Pass-through Carroll County School District:		
Distance Learning and Telemedicine Loans and Grants	10.855	<u>107,173</u>
Total U.S. Department of Agriculture		<u>1,412,657</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - Grants to local educational agencies	84.010	1,056,815
Vocational education - basic grants to states	84.048	36,894
Safe and drug-free schools and communities - state grants	84.186	25,520
Even start - state educational agencies	84.213	68,569
State grants for innovative programs	84.298	6,369
Education technology state grants	84.318	1,576
Teacher quality enhancement grants	84.336	440
Improving teacher quality - state grant	84.367	178,378
Grants for state assessments and related activities	84.369	<u>12,306</u>
Total		<u>1,386,867</u>

TUNICA COUNTY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Special education cluster:		
Special education - grants to states	84.027	\$ 457,545
Special education - preschool grants	84.173	<u>11,550</u>
Total Special Education Cluster		<u>469,095</u>
Total passed-through Mississippi Department of Education		<u>1,855,962</u>
Total U.S. Department of Education		<u>1,855,962</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund		<u>152,170</u>
Total Federal Communications Commission	32.XXX	<u>152,170</u>
<u>U. S. Department of Defense</u>		
Direct Program:		
Reserve Officer's Training Program	12.XXX	<u>60,441</u>
Total U. S. Department of Defense		<u>60,441</u>
Total for All Federal Awards		<u>\$ 3,481,230</u>

TUNICA COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Notes to Schedule
For the Year Ended June 30, 2007

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the 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.
4. The balance outstanding at June 30, 2007, of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was \$52,286.

TUNICA COUNTY SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures
 Governmental Funds
 For the Year Ended June 30, 2007

<u>Expenditures</u>	<u>Total</u>	<u>Instructional and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 17,908,862	12,641,468	767,909	1,402,379	\$ 3,097,106
Other	<u>6,838,880</u>	<u>1,274,990</u>	<u>286,606</u>	<u>59,234</u>	<u>5,218,050</u>
Total	<u>\$ 24,747,742</u>	<u>13,916,458</u>	<u>1,054,515</u>	<u>1,461,613</u>	<u>\$ 8,315,156</u>
Total number of students*	<u>2,238</u>				
Cost per student	<u>\$ 11,058</u>	<u>6,218</u>	<u>471</u>	<u>653</u>	<u>3,715</u>

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

Instruction and Other Student Instructional Expenditures - Includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or class room assistants of any type. (all the 1000, 2100, & 2200 functional codes).

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

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

Other - includes all expenditure functions not included in Instruction or Administration Categories.

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



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

CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2007, which collectively comprise the Tunica County School District's basic financial statements and have issued our report thereon dated February 28, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 school district'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 the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.

Born, Filly, White & Co.
February 28, 2008



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

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S
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, 2007. 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of 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.

Bentz, Friley, White & Co.

February 28, 2008



**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, 2007, which collectively comprise the Tunica County School District's basic financial statements and have issued our report thereon dated February 28, 2008. 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 Controller General of the United States..

Section 37-9-18(3)(a), 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(3)(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 37-61-333(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$13,188 classroom supply funds carried over from previous years.

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

February 28, 2008

TUNICA COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements. | Unqualified |
| 2. | Material noncompliance relating to the financial statements. | None |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |

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? | No |
| b. | Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |
| 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
CFDA #10.553
CFDA #10.555
CFDA #10.559 | |
| b. | CFDA #84.010, Title I Grants to Local Educational Agencies | |
| c. | Cluster: Special Education
CFDA #84.027
CFDA #84.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) 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? | Yes |

TUNICA COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 2: Findings Relating to the Financial Statements

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

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

As required by Section .315(b) of OMB Circular A-133, the TUNICA County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2003:

06-1 Corrective action taken

06-2 Corrective action taken

06-3 Corrective action taken

06-4 Corrective action taken