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**TOWN OF FRIARS POINT
Friars Point, Mississippi**

REPORT ON AUDIT OF FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

**TOWN OF FRIARS POINT
FRIARS POINT, MISSISSIPPI**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Aldermen
Town of Friars Point
Friars Point, Mississippi

We have audited the accompanying financial statements of the governmental activities and the business-type activities, and the aggregate remaining fund information of the Town of Friars Point, as of and for the year ended September 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town'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 opinion.

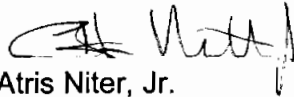
In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities, and the aggregate remaining fund information of the Town of Friars Point, Mississippi as of September 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Budgetary Comparison Schedules for the General Fund and Special Revenue Fund as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Mayor and Board of Aldermen
Town of Friars Point, Mississippi
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Friars Point's basic financial statements. The introductory section, other supplemental schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2007, on our consideration of the Town of Friars Point's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Atris Niter, Jr.
Memphis, TN
March 22, 2007

“A”

**Management's Discussion and Analysis
For the Year Ended September 30, 2006
Unaudited**

This Discussion and Analysis of the Town of Friars Point, Mississippi financial performance provides an overall review of the Town's financial activities for the year ended September 30, 2006. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Town's financial performance. For the year ended September 30, 2006, the Town implemented the new financial reporting requirements of GASB Statement Numbers 33 and 34. As a result, an entirely new financial presentation format has been implemented.

Financial Highlights

Key financial highlights for 2006 were as follows:

The assets of the Town exceeded its liabilities at the close of the year by \$613,152 (reported as "net assets"). Of this amount \$169,886 was "unrestricted net assets", which may be used to meet the Town's on-going obligations to Citizens and Creditors.

Total net assets increased \$14,880 from 2005.

Total assets of governmental activities increased \$143,133 from 2005.

Total assets of business-type activities decreased \$45,856 from 2005.

Total liabilities increased by \$112,157 from 2005.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Town's financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Town, presenting both an aggregate view of the Town's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the Town's most significant funds with all other non-major funds presented in total in one column.

September 30, 2006**Reporting the Town of Friars Point as a Whole****Statement of Net Assets and the Statement of Activities**

While this document contains information about the funds used by the Town to provide services to our citizens, the view of the Town as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Town's net assets and the changes in those assets. This change in assets is important because it tells the reader whether, for the Town as a whole, the financial position of the Town has improved or diminished. However, in evaluating the overall position of the Town, non-financial information such as changes in the Town's tax base and the condition of Town capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, all of the Town's activities are reported as Governmental Activities or Business-type Activities. Governmental Activities including all of the Town's governmental type services including police, fire, streets, administration, and other similar departments. Business-type Activities include the Gas Department, Town Water and Sewer Department and Solid Waste Department.

Reporting the Town of Friars Point Most Significant Funds**Fund Financial Statements**

Fund financial reports provide detailed information about the Town's major funds. Based on restrictions on the use of monies, the Town has established funds, which account for services provided to the Town's residents. However, these fund financial statements focus on the Town's most significant funds.

Governmental Funds

All of the Town's governmental type activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund

statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the Town's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

All of the Town's business-type activities are reported in the proprietary funds. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. These funds are reported using an accounting method called accrual accounting which records revenues when earned and expenses when incurred. The reporting entity includes the Water, Gas and Solid Waste Funds. The basis of accounting is the same as used in the Statement of Net Assets and the Statement of Activities, so no reconciliation of differences is necessary.

The Town of Friars Point as a Whole

Recall that the Statement of Net Assets looks at the Town as a whole. The following table provides a summary of the Town's net assets for 2006 compared to 2005.

| | Net Assets | | | |
|--|-------------------------|----------------|--------------------------|----------------|
| | Governmental Activities | | Business-type Activities | |
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| Assets: | | | | |
| Current and Other Assets | \$323,986 | 193,505 | \$287,315 | 275,642 |
| Capital Assets, Net | <u>247,645</u> | <u>234,993</u> | <u>277,984</u> | <u>335,513</u> |
| Total Assets | <u>571,631</u> | <u>428,498</u> | <u>565,299</u> | <u>611,155</u> |
| Liabilities: | | | | |
| Current and Other Liabilities | 171,321 | 74,881 | 278,563 | 252,148 |
| Long-term Liabilities: | | | | |
| Due in More than One Year | <u>-0-</u> | <u>-0-</u> | <u>73,894</u> | <u>84,592</u> |
| Total Liabilities | <u>171,321</u> | <u>74,881</u> | <u>352,457</u> | <u>336,740</u> |
| Net Assets: | | | | |
| Invested in Capital Assets Net of Debt | 247,645 | 234,993 | 194,801 | 243,041 |
| Restricted: | | | | |
| Debt Service | -0- | -0- | -0- | -0- |
| Capital Projects | 820 | 820 | -0- | -0- |
| Unrestricted | <u>151,845</u> | <u>117,804</u> | <u>18,041</u> | <u>31,374</u> |
| Total Net Assets | <u>\$ 400,310</u> | <u>353,617</u> | <u>\$212,842</u> | <u>274,415</u> |

Net assets of the Town's governmental activities increased by \$30,569 from 2005 and net assets for business-like activities decreased \$61,573 from 2005.

The table below shows the Changes in Net Assets for the year ended September 30, 2006 and 2005.

| | Changes in Net Assets | | | |
|---|-------------------------|--------------------|--------------------------|------------------|
| | Governmental Activities | | Business-type Activities | |
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for services | \$ -0- | \$ 4,870 | \$613,863 | \$ 553,649 |
| Operating grants and contributions | -0- | -0- | -0- | -0- |
| Capital grants and contributions | <u>70,026</u> | <u>64,249</u> | <u>-0-</u> | <u>-0-</u> |
| Total Program Revenues | <u>70,026</u> | <u>69,119</u> | <u>613,863</u> | <u>553,649</u> |
| General Revenues: | | | | |
| Property taxes | 76,908 | 75,955 | -0- | -0- |
| Other taxes and licenses | 123,292 | 115,674 | -0- | -0- |
| Grants and contributions not restricted to specific programs | 101,759 | 78,111 | -0- | -0- |
| Investment and other revenues | <u>42,938</u> | <u>43,386</u> | <u>(4,000)</u> | <u>(26,000)</u> |
| Total General Revenues | <u>344,897</u> | <u>313,126</u> | <u>(4,000)</u> | <u>(26,000)</u> |
| Total Revenues | <u>414,923</u> | <u>382,245</u> | <u>609,863</u> | <u>527,649</u> |
| Program Expenses: | | | | |
| General government | 104,377 | 122,686 | -0- | -0- |
| Public safety | 231,874 | 244,495 | -0- | -0- |
| Maintenance | 48,103 | 36,469 | -0- | -0- |
| Gas operation | -0- | -0- | 351,404 | 289,820 |
| Water and Sewer | -0- | -0- | 263,828 | 224,901 |
| Solid waste | <u>-0-</u> | <u>-0-</u> | <u>56,204</u> | <u>55,825</u> |
| Total Expenses | <u>384,354</u> | <u>403,650</u> | <u>671,436</u> | <u>570,546</u> |
| Increase (Decrease) in net assets | <u>\$ 30,569</u> | <u>\$ (21,405)</u> | <u>\$ (61,573)</u> | <u>\$ 42,897</u> |

Governmental Activities

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the Town's property tax accounted for \$76,908 or 18.5% of gross revenue; revenues from other taxes and charges for services and operating grants and contributions accounted for \$234,067 or 56.4% of gross revenue; and state sales taxes accounted for \$33,922 or 8.12% of gross revenue.

The Town's major expense activity is public safety which includes police and fire. These expenses totaled \$231,874 or 60.33% of total governmental activity expenses.

Business-type Activities

Charges for services fund our Business-type activities. Our proprietary funds include the Water and Sewer Fund, the Solid Waste Fund and the Gas Fund. Total operating revenues increased by \$60,214 or 10.88% from 2005. Operating expenses increased by \$100,890 or 18.21% from 2005.

Capital Assets and Long-Term Obligations

Capital Assets

Capital Assets, Net of Depreciation September 30, 2006 and 2005

| | Governmental Activities | | Business-Type Activities | | Total | Total |
|--|-------------------------|----------------|--------------------------|----------------|------------------|----------------|
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| Land | \$ 10,000 | 10,000 | \$ 73,168 | 73,168 | \$ 83,168 | \$ 83,168 |
| Buildings (includes Construction in Progress) | 122,663 | 142,058 | 84,991 | 92,471 | 207,654 | 234,529 |
| Furniture and Equipment | 18,344 | 25,809 | 112,035 | 146,376 | 130,379 | 172,185 |
| Vehicles | 96,638 | 57,126 | 7,790 | 23,498 | 104,428 | 80,624 |
| Infrastructure | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total Capital Assets | <u>\$247,645</u> | <u>234,993</u> | <u>\$277,984</u> | <u>335,513</u> | <u>\$525,629</u> | <u>570,506</u> |

Prior to October 1, 2002 and the implementation of GASB 34, governmental fund's major general infrastructure assets were not capitalized. In accordance with the provisions of GASB, the Town has elected not to report its major general infrastructure assets. Accordingly, those assets and depreciation thereon have not been reported in the financial statements.

Also, the Town has not yet provided for depreciation on general capital assets acquired prior to October 1, 2002 as required by GASB 34. Consequently, depreciation expense and accumulated depreciation on these assets has not been reported in the financial statements.

Long-Term Obligations

At September 20, 2006, the Town of Friars Point had \$83,183 in outstanding notes payable. The following table shows the total outstanding long-term obligations of the Town.

**Long Term Obligations
September 30, 2006**

| | Governmental Activities | Business-Type Activities | Total |
|-------------------------------------|----------------------------|-----------------------------|-------------------------|
| Beginning Balance: Notes Payable | \$ -0- | \$ 92,472 | \$ 92,472 |
| Additions | -0- | -0- | -0- |
| Deductions | <u>-0-</u> | <u>9,289</u> | <u>9,289</u> |
| Ending Balance | <u>\$ -0-</u> | <u>\$ 83,183</u> | <u>\$ 83,183</u> |

The Town's yearly payments of \$9,289 for the next *five* years will total \$46,445 or 55.83% of the outstanding balance, with a remaining balance of \$36,738. The interest on the long term debt amounts to over \$21,055 over the next five years.

Current Financial Related Activities

GASB Statement 34 and Financial Reporting

The Town is beginning the process of inventorying general government fixed assets and recording depreciation thereon.

Contacting the Town's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Town Clerk at 662-383-2233.

**TOWN OF FRIARS POINT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006**

| | PRIMARY GOVERNMENT | | |
|--------------------------------------|----------------------------|---------------------------------|-------------------|
| | Governmental Activities | Business- Type Activities | Total |
| <u>ASSETS</u> | | | |
| Current Assets: | | | |
| Cash and Cash Equivalent | \$ 56,207 | 78,136 | \$ 134,343 |
| Cash - Restricted | 6,894 | 40,279 | 47,173 |
| Accounts Receivable, Net | 107,410 | 30,351 | 137,761 |
| Intergovernmental Receivables | 153,475 | 138,549 | 292,024 |
| Total Current Assets | 323,986 | 287,315 | 611,301 |
| Non-current Assets: | | | |
| Capital Assets | | | |
| General Fixed Assets, Net | 247,645 | 277,984 | 525,629 |
| Total Non-current Assets | 247,645 | 277,984 | 525,629 |
| Total Assets | 571,631 | 565,299 | 1,136,930 |
| <u>LIABILITIES</u> | | | |
| Current Liabilities: | | | |
| Accrued Payables | 6,842 | 24,083 | 30,925 |
| Note Payable, Current | -0- | 9,289 | 9,289 |
| Taxes Payable | -0- | 234 | 234 |
| Intergovernmental Payables | 70,279 | 221,745 | 292,024 |
| Deferred Revenue | 94,200 | -0- | 94,200 |
| Deposits Payable | -0- | 23,212 | 23,212 |
| Total Current Liabilities | 171,321 | 278,563 | 449,884 |
| Non-current Liabilities: | | | |
| Note Payable, Non-current | -0- | 73,894 | 73,894 |
| Total Non-current Liabilities | -0- | 73,894 | 73,894 |
| Total Liabilities | 171,321 | 352,457 | 523,778 |
| <u>NET ASSETS</u> | | | |
| Invested in Capital Assets | 247,645 | 194,801 | 442,446 |
| Restricted - Capital Projects | 820 | -0- | 820 |
| Unrestricted | 151,845 | 18,041 | 169,886 |
| Total Net Assets | \$ 400,310 | 212,842 | \$ 613,152 |

See accompanying notes to the financial statements.

**TOWN OF FRIARS POINT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| FUNCTIONS/PROGRAMS | PROGRAM REVENUES | | | | Net (Expenses) Revenues & Change in Net Assets PRIMARY GOVERNMENT | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business Type Activities | Total |
| Primary Government: | | | | | | | |
| Government Activities: | | | | | | | |
| Administration | \$ 104,377 | -0- | -0- | -0- | (104,377) | -0- | \$ (104,377) |
| Public Safety | 231,874 | -0- | -0- | 70,026 | (161,848) | -0- | (161,848) |
| Care & Maintenance of Property | 48,103 | -0- | -0- | -0- | (48,103) | -0- | (48,103) |
| Total Governmental Activities | 384,354 | -0- | -0- | 70,026 | (314,328) | -0- | (314,328) |
| Business Type Activities: | | | | | | | |
| Water Operations | 263,828 | 210,344 | -0- | -0- | -0- | (53,484) | (53,484) |
| Solid Waste Operations | 56,204 | 55,140 | -0- | -0- | -0- | (1,064) | (1,064) |
| Gas Operations | 351,404 | 348,379 | -0- | -0- | -0- | (3,025) | (3,025) |
| Total Business Type Activities | 671,436 | 613,863 | -0- | -0- | -0- | (57,573) | (57,573) |
| TOTAL PRIMARY GOVERNMENT | \$ 1,055,790 | 613,863 | -0- | 70,026 | (314,328) | (57,573) | \$ (371,901) |

General Revenues:

Taxes:

| | | | |
|---|-------------------|----------------|-------------------|
| Real | \$ 76,908 | -0- | \$ 76,908 |
| Personal | 15,603 | -0- | 15,603 |
| Privilege | 270 | -0- | 270 |
| Franchise | 21,928 | -0- | 21,928 |
| Advalorum | 50,669 | -0- | 50,669 |
| Sales | 33,922 | -0- | 33,922 |
| Grand Gulf | 8,165 | -0- | 8,165 |
| Gaming | 81,238 | -0- | 81,238 |
| Homestead exemption | 6,921 | -0- | 6,921 |
| ABC License | 900 | -0- | 900 |
| Fire Fund Premium | 7,526 | -0- | 7,526 |
| Municipal Aid | 5,435 | -0- | 5,435 |
| Miscellaneous | 31,412 | -0- | 31,412 |
| Transfers | 4,000 | (4,000) | -0- |
| Total general revenues and transfers | 344,897 | (4,000) | 340,897 |
| Change in Net Assets | 30,569 | (61,573) | (31,004) |
| Net Assets - Beginning | 353,617 | 274,415 | 628,032 |
| Other Changes | 16,124 | -0- | 16,124 |
| Net Assets - Ending | \$ 400,310 | 212,842 | \$ 613,152 |

See accompanying notes to the financial statements.

**TOWN OF FRIARS POINT
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006**

| <u>ASSETS</u> | <u>Governmental Activities</u> |
|--|---|
| Cash and Cash Equivalent | \$ 56,207 |
| Cash - Restricted | 6,894 |
| Account Receivables | 107,410 |
| Interfund Receivables | <u>153,475</u> |
| TOTAL ASSETS | \$ <u>323,986</u> |
| <u>LIABILITIES & FUND BALANCES</u> | |
| Liabilities: | |
| Accrued Payroll Withholdings | \$ 6,842 |
| Deferred Revenue | 94,200 |
| Interfund Payables | <u>70,279</u> |
| Total Liabilities | <u>171,321</u> |
| Fund Balances: | |
| Unreserved | <u>152,665</u> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ <u>323,986</u> |

See accompanying notes to the financial statements.

**TOWN OF FRIARS POINT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| REVENUES: | General Fund | Special Revenue | Total Governmental Funds |
|--|-------------------------|----------------------------|---|
| Real property taxes | \$ 76,908 | -0- | \$ 76,908 |
| Personal property taxes | 15,603 | -0- | 15,603 |
| Municipal aid | 5,435 | -0- | 5,435 |
| Advalorem taxes | 50,669 | -0- | 50,669 |
| Franchise taxes | 21,928 | -0- | 21,928 |
| Sales taxes | 33,922 | -0- | 33,922 |
| Homestead exemption | 6,921 | -0- | 6,921 |
| Program grants | -0- | 70,026 | 70,026 |
| Gaming income | 89,403 | -0- | 89,403 |
| Miscellaneous | 40,108 | -0- | 40,108 |
| TOTAL REVENUES | <u>340,897</u> | <u>70,026</u> | <u>410,923</u> |
| EXPENDITURES: | | | |
| General government and administration | 104,377 | -0- | 104,377 |
| Protection of life and property | 161,848 | 70,026 | 231,874 |
| Care & maintenance of public property | 48,103 | -0- | 48,103 |
| TOTAL EXPENDITURES | <u>314,328</u> | <u>70,026</u> | <u>384,354</u> |
| Excess Revenues Over (Under) Expenditures | <u>26,569</u> | <u>-0-</u> | <u>26,569</u> |
| OTHER FINANCING SOURCES: | | | |
| Transfers in | <u>4,000</u> | <u>-0-</u> | <u>4,000</u> |
| NET CHANGE IN FUND BALANCE | <u>30,569</u> | <u>-0-</u> | <u>30,569</u> |
| FUND BALANCE - Beginning | 117,804 | 820 | 118,624 |
| Other Changes | 3,472 | -0- | 3,472 |
| FUND BALANCE - Ending | <u>\$ 151,845</u> | <u>820</u> | <u>\$ 152,665</u> |

See accompanying notes to the financial statements.

**TOWN OF FRIARS POINT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2006**

| <u>ASSETS</u> | Water Utility Fund | Gas Utility Fund | Garbage Utility Fund | Total |
|---|-----------------------------------|---------------------------------|---------------------------------|-------------------|
| Current Assets: | | | | |
| Cash and Cash Equivalent | \$ 37,455 | 32,569 | 8,112 | \$ 78,136 |
| Cash - Restricted | 26,103 | 14,176 | -0- | 40,279 |
| Accounts Receivable, Net | 17,536 | 12,815 | -0- | 30,351 |
| Due from Other Funds | 89,543 | 49,006 | -0- | 138,549 |
| Total Current Assets | <u>170,637</u> | <u>108,566</u> | <u>8,112</u> | <u>287,315</u> |
| Non-current Assets: | | | | |
| General Fixed Assets, Net of Accumulated Depreciaton | 273,998 | 3,986 | -0- | 277,984 |
| Total Non-current Assets | <u>273,998</u> | <u>3,986</u> | <u>-0-</u> | <u>277,984</u> |
| TOTAL ASSETS | <u>444,635</u> | <u>112,552</u> | <u>8,112</u> | <u>565,299</u> |
| <u>LIABILITIES</u> | | | | |
| Current Liabilities: | | | | |
| Due to Other Funds | 46,676 | 175,069 | -0- | 221,745 |
| Deposits Payable | 11,393 | 11,819 | -0- | 23,212 |
| Accounts Payable | 9,728 | 10,220 | 4,135 | 24,083 |
| Taxes Payable | 234 | -0- | -0- | 234 |
| Note Payable, Current | 9,728 | -0- | -0- | 9,728 |
| Total Current Liabilities | <u>77,759</u> | <u>197,108</u> | <u>4,135</u> | <u>279,002</u> |
| Non-current Liabilities: | | | | |
| Note Payable | 73,455 | -0- | -0- | 73,455 |
| Total Non-current Liabilities | <u>73,455</u> | <u>-0-</u> | <u>-0-</u> | <u>73,455</u> |
| TOTAL LIABILITIES | <u>151,214</u> | <u>197,108</u> | <u>4,135</u> | <u>352,457</u> |
| <u>NET ASSETS</u> | | | | |
| Unrestricted | 102,606 | (88,542) | 3,977 | 18,041 |
| Invested in Capital Assets, Net of Debt | 190,815 | 3,986 | -0- | 194,801 |
| TOTAL NET ASSETS | <u>\$ 293,421</u> | <u>(84,556)</u> | <u>3,977</u> | <u>\$ 212,842</u> |

See accompanying notes to the financial statements.

**TOWN OF FRIARS POINT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Garbage Utility Fund | Water Utility Fund | Gas Utility Fund | Total Proprietary Funds |
|--|-------------------------------------|-----------------------------------|---------------------------------|--|
| <u>OPERATING REVENUES:</u> | | | | |
| Charges for Services | \$ 55,140 | 210,216 | 348,270 | \$ 613,626 |
| TOTAL REVENUES | <u>55,140</u> | <u>210,216</u> | <u>348,270</u> | <u>613,626</u> |
| <u>OPERATING EXPENSES:</u> | | | | |
| Personnel Services | -0- | 56,838 | 27,837 | 84,675 |
| Contractual Services | 56,204 | 10,122 | 4,656 | 70,982 |
| Repairs and Maintenance | -0- | 24,497 | 4,809 | 29,306 |
| Insurance | -0- | 37,040 | 17,784 | 54,824 |
| Purchases for Re-sale | -0- | 25,895 | 275,010 | 300,905 |
| Depreciation | -0- | 54,800 | 2,729 | 57,529 |
| Fuel and Oil | -0- | 13,633 | -0- | 13,633 |
| Other Expenses | -0- | 36,792 | 18,579 | 55,371 |
| TOTAL OPERATING EXPENSES | <u>56,204</u> | <u>259,617</u> | <u>351,404</u> | <u>667,225</u> |
| Operating Income (Loss) | (1,064) | (49,401) | (3,134) | (53,599) |
| <u>Non-operating Revenues (Expenses)</u> | | | | |
| Interest Income | -0- | 128 | 109 | 237 |
| Interest Expense | -0- | (4,211) | -0- | (4,211) |
| Total Non-operating Revenues (Expenses) | <u>-0-</u> | <u>(4,083)</u> | <u>109</u> | <u>(3,974)</u> |
| <u>OPERATING TRANSFERS:</u> | | | | |
| Transfers In | -0- | 3,000 | -0- | 3,000 |
| Transfers Out | (4,000) | (3,000) | -0- | (7,000) |
| Change in Net Assets | <u>(5,064)</u> | <u>(53,484)</u> | <u>(3,025)</u> | <u>(61,573)</u> |
| NET ASSETS - Beginning | 9,041 | 346,905 | (81,531) | 274,415 |
| Other Changes | -0- | -0- | -0- | -0- |
| NET ASSETS - Ending | <u>\$ 3,977</u> | <u>293,421</u> | <u>(84,556)</u> | <u>\$ 212,842</u> |

See accompanying notes to the financial statements.

**TOWN OF FRIARS POINT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | <u>Budgeted</u> <u>Original</u> | <u>Amount</u> <u>Final</u> | <u>Actual</u> <u>Amounts</u> | <u>Variance</u> <u>Positive</u> <u>(Negative)</u> |
|--|------------------------------------|-------------------------------|---------------------------------|---|
| RESOURCES: | | | | |
| <u>Revenues</u> | | | | |
| Taxes | | | | |
| Real | \$ 75,000 | 75,000 | 76,908 | \$ 1,908 |
| Personal | 13,350 | 13,350 | 15,603 | 2,253 |
| Privilege | 238 | 238 | 270 | 32 |
| Franchise | 19,800 | 19,800 | 21,928 | 2,128 |
| Ad Valorum | 50,000 | 50,000 | 50,669 | 669 |
| Sales | 27,000 | 27,000 | 33,922 | 6,922 |
| Grand Gulf | 7,488 | 7,488 | 8,165 | 677 |
| Gaming | 75,000 | 75,000 | 81,238 | 6,238 |
| Homestead exemption | 5,400 | 5,400 | 6,921 | 1,521 |
| ABC license | 900 | 900 | 900 | -0- |
| Fire Fund Premium | 7,000 | 7,000 | 7,526 | 526 |
| Municipal aid | 3,210 | 3,210 | 5,435 | 2,225 |
| Miscellaneous | 4,963 | 4,963 | 31,412 | 26,449 |
| Transfers | -0- | -0- | 4,000 | 4,000 |
| Grants | -0- | -0- | -0- | -0- |
| Total Available | <u>289,349</u> | <u>289,349</u> | <u>344,897</u> | <u>55,548</u> |
| <u>Expenditures</u> | | | | |
| General government and administration | 103,943 | 103,943 | 104,377 | (434) |
| Protection of life and property | 147,906 | 147,906 | 161,848 | (13,942) |
| Care and maintenance of public property | <u>37,500</u> | <u>37,500</u> | <u>48,103</u> | <u>(10,603)</u> |
| Total Charges | <u>289,349</u> | <u>289,349</u> | <u>314,328</u> | <u>(24,979)</u> |
| ENDING BALANCE | <u>\$ -0-</u> | <u>-0-</u> | <u>30,569</u> | <u>\$ 30,569</u> |

See accompanying notes to the financial statements.

**TOWN OF FRIARS POINT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | <u>Garbage Utility Fund</u> | <u>Water Utility Fund</u> | <u>Gas Utility Fund</u> | <u>Total Proprietary Funds</u> |
|---|-------------------------------------|-----------------------------------|---------------------------------|--|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 55,140 | 210,216 | 348,270 | \$ 613,626 |
| Payments to suppliers | -0- | (118,597) | (303,956) | (422,553) |
| Payments to employees | -0- | (52,565) | (25,740) | (78,305) |
| Payments for contract services | (52,069) | (10,122) | (4,656) | (66,847) |
| Other Receipts (Payments) | -0- | (6,442) | (2,493) | (8,935) |
| Receipts of Meter Deposits | -0- | -0- | -0- | -0- |
| Net Cash Provided by (Used) in Operating Activities | <u>3,071</u> | <u>22,490</u> | <u>11,425</u> | <u>36,986</u> |
| CASH FLOW FROM NON CAPITAL FINANCING ACTIVITIES | | | | |
| Transfers from other funds | -0- | 3,000 | -0- | 3,000 |
| Transfers to other funds | (4,000) | (3,000) | -0- | (7,000) |
| Net Cash Provided by (Used) in Non Capital Financing Activities | <u>(4,000)</u> | <u>-0-</u> | <u>-0-</u> | <u>(4,000)</u> |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES | | | | |
| Principal paid on capital debt | -0- | (9,289) | -0- | (9,289) |
| Interest paid on capital debt | -0- | (4,211) | -0- | (4,211) |
| Net cash used in capital and Related Financing Activities | <u>-0-</u> | <u>(13,500)</u> | <u>-0-</u> | <u>(13,500)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest and dividends | -0- | 128 | 109 | 237 |
| Net Cash Provided by Investing Activities | <u>-0-</u> | <u>128</u> | <u>109</u> | <u>237</u> |
| Net Increase (Decrease) in Cash | (929) | 9,118 | 11,534 | 19,723 |
| BALANCE - Beginning | <u>9,041</u> | <u>54,440</u> | <u>35,211</u> | <u>98,692</u> |
| BALANCE - Ending | <u>\$ 8,112</u> | <u>63,558</u> | <u>46,745</u> | <u>\$ 118,415</u> |

**TOWN OF FRIARS POINT
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | <u>Garbage Utility Fund</u> | <u>Water Utility Fund</u> | <u>Gas Utility Fund</u> | <u>Total Proprietary Funds</u> |
|--|-------------------------------------|-----------------------------------|---------------------------------|--|
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Operating Income (Loss) | \$ (5,064) | (53,484) | (3,025) | \$ (61,573) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | | |
| Cash Flows Reported in Other Categories: | | | | |
| Depreciation Expense | -0- | 54,800 | 2,729 | 57,529 |
| Non Operating Revenues | -0- | -0- | -0- | -0- |
| Total | -0- | 54,800 | 2,729 | 57,529 |
| Change in Assets and Liabilities: | | | | |
| Receivables, net | -0- | 10,533 | 1,491 | 12,024 |
| Account Payables | 4,135 | 9,728 | 10,220 | 24,083 |
| Due from Other Funds | 4,000 | 3,000 | -0- | 7,000 |
| Deposits Payable | -0- | 913 | 10 | 923 |
| Due to Other Funds | -0- | (3,000) | -0- | (3,000) |
| Total | 8,135 | 21,174 | 11,721 | 41,030 |
| Net Cash Provided by Operating Activities | \$ 3,071 | 22,490 | 11,425 | \$ 36,986 |

See accompanying notes to the financial statements.

TOWN OF FRIARS POINT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2006

Total Fund Balances – Governmental Funds **\$152,665**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

| | | |
|----------------------------|-----------|---------|
| Land | 10,000 | |
| Buildings and improvements | 610,956 | |
| Equipment and furniture | 106,675 | |
| Vehicles | 289,846 | |
| Infrastructure | -0- | |
| Accumulated depreciation | (769,832) | 247,645 |

Net Assets of Governmental Activities **\$400,310**

See accompanying notes to the financial statements.

TOWN OF FRIARS POINT
Reconciliation of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
For the year ended September 30, 2006

| | |
|---|-------------------------|
| Net Change in Fund Balances – Total Governmental Funds | \$ 30,569 |
| Governmental funds report capital outlays as expenditures. However in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$70,026) exceeded depreciation (\$35,054) in the current period. | 34,972 |
| Decrease in Net Assets due to GASB Conversion | (34,972) |
| Changes in Net Assets of Governmental Activities | <u>\$ 30,569</u> |

See accompanying notes to the financial statements.

**TOWN OF FRIARS POINT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement:

The Town of Friars Point was founded in 1847. The Town operates under the Board of Aldermen-Mayor form of government and provides the following services; public safety (police and fire), streets, sanitation, culture, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the Town of Friars Point have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town's most significant accounting policies are described below.

B. Reporting Entity:

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Generally Accepted Accounting Principles. The basic – but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the Town of Friars Point has no component units.

TOWN OF FRIARS POINT
NOTES TO THE FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

C. Encumbrance Accounting:

The Town of Friars Point does not use the encumbrance method of accounting.

D. Fund Accounting:

The Town uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate fund types.

The Town uses the following fund types and account groups:

Governmental funds are used to account for all or most of a government's general activities including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government, which are not required legally, or by sound financial management, to be accounted for in another fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

E. Basis of Accounting:

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

TOWN OF FRIARS POINT
NOTES TO THE FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

The government-wide statement of activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Town and for each program of the governmental activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs 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. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town. Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

F. Revenue Recognition:

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for service, income taxes other than those withheld by employers and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

TOWN OF FRIARS POINT
NOTES TO THE FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

G. Expenditure Recognition:

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Allocations of costs, such as depreciation, are not recognized in the governmental funds.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end. Proprietary fund types have selected to consistently follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Accounting Standards Board Statements No. 20 that conflict with GASB pronouncements.

H. Budgets and Budgetary Accounting:

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

1. Prior to the August board meeting, the Town's City Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Town Hall.
3. At the September board meeting, the budget is legally enacted through passage of ordinance.
4. The Town's Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
5. The actual receipts and disbursements are accumulated each month and compared to the budgeted amounts and reviewed by the Mayor and Board of Aldermen. Any revisions on the budget during the year are approved by the Board of Aldermen.

TOWN OF FRIARS POINT
NOTES TO THE FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

6. Budgetary comparison schedules are presented as *Required Supplemental Information*.

I. Capital Assets and Depreciation:

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the governments-wide statement of net assets. Capital assets used by proprietary funds are reported in both the business-type activities column of the government-wide statement of net assets and in the individual proprietary funds.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the General Capital Asset Account Group. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years, improvements/infrastructure, 5 to 50 years, equipment, 2 to 15 years.

Capital assets are defined as assets with an initial cost of \$2,000 and an estimated useful life in excess of one year.

J. Compensated Absences:

The Town has not made any accrual for compensated absences because the amount cannot be reasonably estimated. However, management believes the amount is not material because all employees are required to take their vacation by year-end.

K. Net Assets:

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by other governments, creditors or grantors.

**TOWN OF FRIARS POINT
NOTES TO THE FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006**

L. Accounts Receivable:

Accounts and property tax receivable are recorded net of an allowance for expected losses. The allowance is estimated based on historical performance and projections of trends.

NOTE 2 – CASH AND INVESTMENTS

For the purpose of the Statement of Net Assets, “cash in bank and on hand” includes all demand, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

NOTE 3 – PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and payable on or before February 1.

NOTE 4 – RESTRICTED CASH

Restricted cash consisted of the following at year end:

| | FUND | | | |
|-------------------------|------------------------|-------------------------------|------------------------|-------------------------|
| <u>RESTRICTED CASH</u> | <u>General</u> | <u>Water & Sewage</u> | <u>Natural Gas</u> | <u>Total</u> |
| Unemployment Fund | \$ 184 | | 2,357 | \$ 2,541 |
| Meter Deposits | | 11,393 | 11,819 | 23,212 |
| Rural Housing Fund | | 14,710 | | 14,710 |
| Mobile Park Fund | 2,588 | | | 2,588 |
| Urban Renewal | 2,939 | | | 2,939 |
| Historical Preservation | 1,183 | | | 1,183 |
| TOTAL | <u>\$ 6,894</u> | <u>26,103</u> | <u>14,176</u> | <u>\$ 47,173</u> |

TOWN OF FRIARS POINT
NOTES TO THE FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

NOTE 5 – CAPITAL ASSETS

Capital assets consist of the following:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|----------------------------------|------------------------------|----------------------|-------------------|---------------------------|
| Governmental Activities: | | | | |
| Land | \$ 10,000 | -0- | -0- | \$ 10,000 |
| Building and improvements | 610,956 | -0- | -0- | 610,956 |
| Furniture and equipment | 106,675 | -0- | -0- | 106,675 |
| Vehicles | <u>242,140</u> | <u>47,706</u> | <u>-0-</u> | <u>289,846</u> |
| | 969,771 | 47,706 | -0- | 1,017,477 |
| Accumulated Depreciation: | | | | |
| Building and improvements | 484,875 | 19,395 | -0- | 504,270 |
| Furniture and equipment | 106,675 | -0- | -0- | 106,675 |
| Vehicles | <u>143,228</u> | <u>15,659</u> | <u>-0-</u> | <u>158,887</u> |
| | 734,778 | 35,054 | -0- | 769,832 |
| CAPITAL ASSETS, NET | <u>\$ 234,993</u> | <u>12,652</u> | <u>-0-</u> | <u>\$ 247,645</u> |
| Business Type Activities: | | | | |
| Land | \$ 73,168 | -0- | -0- | \$ 73,168 |
| Building and improvements | 235,624 | -0- | -0- | 235,624 |
| Furniture and equipment | 1,393,117 | -0- | -0- | 1,393,117 |
| Vehicles | <u>78,542</u> | <u>-0-</u> | <u>-0-</u> | <u>78,542</u> |
| | 1,780,451 | -0- | -0- | 1,780,451 |
| Accumulated Depreciation: | | | | |
| Building and improvements | 187,000 | 7,480 | -0- | 194,480 |
| Furniture and equipment | 1,179,396 | 50,049 | -0- | 1,229,445 |
| Vehicles | <u>78,542</u> | <u>-0-</u> | <u>-0-</u> | <u>78,542</u> |
| | \$1,444,938 | 57,529 | -0- | 1,502,467 |
| CAPITAL ASSETS, NET | <u>\$ 335,513</u> | <u>57,529</u> | <u>-0-</u> | <u>\$ 277,984</u> |

**TOWN OF FRIARS POINT
NOTES TO THE FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006**

NOTE 6 – LONG-TERM DEBT

The long-term debt consisted of the following at year end.

| | BALANCE OUTSTANDING <u>OCT. 1, 2005</u> | TRANSACTIONS DURING THE FISCAL YEAR | | BALANCE OUTSTANDING <u>SEPT. 30, 2006</u> |
|---|---|--|---------------------|---|
| | | <u>ISSUED</u> | <u>REDEEMED</u> | |
| <u>Water and Sewage Fund</u> | | | | |
| <u>Rural Housing</u> | | | | |
| 5% Note payable | \$ 92,472 | -0- | 9,289 | \$ 83,183 |
| monthly payment of \$1,125 secured by the water system. | _____ | _____ | _____ | _____ |
| TOTAL | <u>\$ 92,472</u> | <u>-0-</u> | <u>9,289</u> | <u>\$ 83,183</u> |

The long-term debt in the water and sewage fund had the following aggregate maturities at September 30, 2006.

| <u>Year</u> | <u>Rural Housing</u> |
|-------------|--------------------------|
| 2007 | \$ 9,289 |
| 2008 | 9,289 |
| 2009 | 9,289 |
| 2010 | 9,289 |
| 2011 | 9,289 |
| Later Years | 36,738 |
| | <u>\$ 83,183</u> |

Interest expense totaled \$4,211 for the year. The interest requirement on the long term debt amounts to approximately \$21,055 over the next five years.

NOTE 7 – OPERATING LEASES

The Town has an operating lease for a copier. The following is a schedule of the minimum future lease payments over the next five years:

| | |
|------|-----------------|
| 2007 | \$ 1,615 |
| 2008 | 1,615 |
| 2009 | 1,615 |
| 2010 | 1,615 |
| 2011 | <u>1,615</u> |
| | <u>\$ 8,075</u> |

Rental expense for the year was approximately \$1,615.

**TOWN OF FRIARS POINT
NOTES TO THE FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006**

NOTE 8 – PRIOR PERIOD ADJUSTMENT

The prior year's beginning net assets account was adjusted to reflect an understatement of revenue due to a mathematical error.

**TOWN OF FRIARS POINT
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2006**

| <u>POSITION</u> | <u>SURETY</u> | <u>BOND</u> |
|-----------------|---------------|----------------|
| Mayor | Mid-America | \$100,000 |
| Town Clerk | Mid-America | \$100,000 |
| Utility Clerk | Mid-America | \$100,000 |
| Police Chief | Mid-America | \$100,000 |
| Aldermen | Mid-America | \$ 25,000 each |
| Police Officers | Mid-America | \$ 25,000 each |

**TOWN OF FRIARS POINT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| Federal Grantor/Pass- Through Grantor/ Program Title | CFDA Number | Grantor's Number | Cash/ (Deferred Revenue) 10/1/05 | Cash Receipts | Expenditures/ Amount Earned | Cash/ (Deferred Revenue) 9/30/06 |
|---|----------------|---------------------|---|------------------|-----------------------------------|---|
| U.S. Dept. of Housing & Urban Development/Pass-through MS Development Authority, Community Services Division: Home Investment Partnership | 14.239 | M00SG28010109 | \$ -0- | 26,019 | 26,019 | \$ -0- |
| USDA Rural Dev.: Community Facility | | | -0- | 35,700 | 35,700 | -0- |
| MS Dept. of Economic & Community Development: Community Development Block Grant | 14.228 | 01-188-PF-01 | 820 | -0- | -0- | 820 |
| Urban Renewal Plan | | | 2,939 | -0- | -0- | 2,939 |
| MS Dept. of Public Safety: Homeland Security | | 05H5188 | -0- | 8,307 | 8,307 | -0- |
| MS Dept. of Archives & History: Historical Preservation Commission | | | 3,183 | -0- | -0- | 3,183 |
| TOTAL EXPENDITURE OF FEDERAL AWARDS | | | \$ 6,942 | 70,026 | 70,026 | \$ 6,942 |

The accompanying schedule of expenditure of federal awards includes the federal grant activity of the Town of Friars Point and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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**

The Honorable Mayor and
Board of Aldermen
Town of Friars Point
Friars Point, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of Town of Friars Point, Mississippi, as of and for the year ended September 30, 2006 which collectively comprise the Town of Friars Point, Mississippi's basic financial statements and have issued our report thereon dated March 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Friars Point, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Friars Point, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Town of Friars Point, Mississippi'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 Town of Friars Point, Mississippi's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Friars Point's financial statements that is more than inconsequential will not be prevented or detected by the Town of Friars Point's internal control.

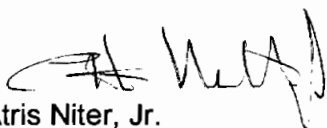
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Friars Point's internal control,

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies 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 Town of Friars Point's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Atris Niter, Jr.
Memphis, TN
March 22, 2007