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CITY OF WEST POINT, MISSISSIPPI

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

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STATE AUDITOR'S OFFICE

**WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**

CITY OF WEST POINT, MISSISSIPPI
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Selectmen
City of West Point
West Point, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Point, Mississippi, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of West Point, Mississippi's management. Our responsibility is to express an opinion 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 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 and the report of other auditors provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the City has not recorded depreciation expense over the useful lives on capital assets acquired in governmental activities. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated, which would decrease the net assets, and increase expenses of the governmental activities. The amount by which this departure would effect net assets and expenses of the governmental activities is not reasonably determinable.

The City does not maintain adequate subsidiary records documenting the historical cost of buildings and equipment included in the General Fixed Assets Account Group. Due to the nature of the City's records, we were unable to satisfy ourselves as to the historical cost of buildings and equipment recorded in the financial statements at \$19,633,949.

In our opinion, except for the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the City of West Point, Mississippi, as of June 30, 2006, and the 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 September 28, 2007, on our consideration of City of West Point, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 10 and page 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are 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.

West Point, Mississippi
September 28, 2007

Watkins Ward and Stafford PLLC

City of West Point, Mississippi
Management's Discussion and Analysis
For the Year Ended June 30, 2006
Unaudited

This Discussion and Analysis of the City of West Point, Mississippi, financial performance provides an overall review of the City's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2006 were as follows:

- Total net assets increased \$705,410 or 2.6% from 2005.
- Total assets of governmental activities increased \$1,527,397, or 7.35% from 2005.
- Total liabilities of governmental activities decreased by \$432,073, or 5.63% from 2005.
- Overall, the book value of capital assets increased by \$197,718 or 5% 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 City of West Point, Mississippi, as a 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 City, presenting both an aggregate view of the City'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 City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of West Point, Mississippi, as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City 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 the private sector companies. This 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 City's net assets and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities – Most of the City's basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.

Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's electric and water and sewer departments are reported here.

Reporting the City's Most Significant Funds

The fund financial statements begin on page 11 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by the State law and by bond covenants. However, the City Board established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 City'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 to finance the City's programs. We described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation adjacent to the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statement but provide more detail and additional information, such as cash flows, for proprietary funds.

The City of West Point as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2006 compared to 2005

(Table 1)
Net Assets

	June 30, 2006			June 30, 2005		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current and other assets	\$ 2,671,889	5,813,077	8,484,966	1,979,406	6,032,487	8,011,893
Capital assets, net	19,633,949	25,724,080	45,358,029	18,799,035	26,361,276	45,160,311
Total Assets	22,305,838	31,537,157	53,842,995	20,778,441	32,393,763	53,172,204
Liabilities:						
Current and other liabilities	1,681,819	3,751,835	5,433,654	1,471,332	3,280,044	4,751,376
Long-term liabilities:						
Due within one year	636,400	906,527	1,542,927	642,560	797,765	1,440,325
Due in more than one year	4,926,600	13,483,036	18,409,636	5,563,000	14,262,885	19,825,885
Total Liabilities	7,244,819	18,141,398	25,386,217	7,676,892	18,340,694	26,017,586
Net Assets:						
Invested in capital assets net of debt	14,070,949	11,334,517	25,405,466	12,593,475	12,193,799	24,787,274
Restricted	792,732	342,846	1,135,578	1,244,002	928,213	2,172,215
Unrestricted	197,338	1,718,396	1,915,734	(735,928)	931,057	195,129
Total Net Assets	\$ 15,061,019	13,395,759	28,456,778	13,101,549	14,053,069	27,154,618

Table 2 shows the changes in Net Assets for the year ended 2006 compared to 2005.

(Table 2)
Changes in Net Assets
2006

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2006	2005	2006	2005	2006	2005		
Program Revenues:								
Charges for services	\$ 834,124	709,315	16,501,796	15,177,596	17,335,920	15,886,911	1,449,009	9.12%
Operating grants and contributions	260,747	180,535			260,747	180,535	80,212	44.43%
Capital grants and contributions	876,140	3,137,376	12,900	12,900	889,040	3,150,276	(2,261,236)	-71.78%
General revenues:								
Property taxes	3,582,797	3,541,895			3,582,797	3,541,895	40,902	1.15%
Intergovernmental	2,386,970	2,219,117			2,386,970	2,219,117	167,853	.76%
Miscellaneous	195,483	200,920		8,281	195,483	209,201	(13,718)	-6.56%
Total Revenues	8,136,261	9,989,158	16,514,696	15,198,777	24,650,957	25,187,935	(536,978)	-2.13%
Program Expenses:								
General government	899,567	904,850			899,567	904,850	(5,283)	-58%
Public safety	3,153,767	2,928,148			3,153,767	2,928,148	225,619	7.02%
Public works	1,840,417	4,930,707			1,840,417	4,930,707	(3,090,290)	-62.67%
Cemetery	25,836	31,708			25,836	31,708	(5,872)	-18.52%
Health and Welfare	62,012	247,157			62,012	247,157	(185,145)	-74.91%
Culture and recreation	446,807	500,225			446,807	500,225	(53,418)	-10.68%
Community development	29,627	30,721			29,627	30,721	(1,094)	-3.56%
Interest	315,508	349,835			315,508	349,835	(34,327)	-9.81%
Providing Services:								
Electric			13,175,951	11,578,387	13,175,951	11,578,387	1,597,564	13.80%
Water and sewer			3,996,055	3,818,994	3,996,055	3,818,994	177,061	4.64%
Total Expenses	6,773,541	9,923,351	17,172,006	15,397,381	23,945,547	25,320,732	(1,375,185)	-5.51%
Increase (Decrease) in Net Assets	\$ 1,362,720	65,807	(657,310)	(198,604)	705,410	(132,797)	838,207	0

Governmental Activities

Several revenue sources fund our governmental activities. Under the accrual basis of accounting, charges for services, grants and contributions accounted for \$1,971,011 or 25% of gross revenues; Intergovernmental accounted for \$2,569,851 or 32%; and property taxes accounted for \$3,582,797 or 44%.

Business-type Activities

While business-type activities are accounted for similarly to businesses and are primarily supported by user charges, the City attempts to keep these charges as low as possible.

The City's Funds

Information about the City's major governmental funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,036,261 and expenditures of \$7,885,253. Fund balances increased while expenses exceeded revenues by \$151,008 before other financing sources and uses.

General Fund Budgeting Highlights

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

The general fund's original budget was not amended during 2006. The fund's budgeted revenues were \$6,076,500 and actual revenues were \$5,921,955. The fund's budgeted expenditures were \$5,719,326 and actual expenditures were \$5,896,372.

Capital Assets and Long-term Obligations

Capital Assets

At the end of 2006 the City had \$45 million invested in a broad range of capital assets.

(Table 3)
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2006	2005	2006	2005	2006	2005		
Land	\$ 19,633,949	18,799,035	313,970	313,970	313,970	313,970	834,914	0.00%
Buildings and equipment					19,633,949	18,799,035		4.44%
Distribution system and related:								
Electric			4,460,240	4,940,575	4,460,240	4,940,575	(480,335)	-9.72%
Water and sewer			20,008,819	20,571,621	20,008,819	20,571,621	(562,802)	-2.73%
Construction in progress			941,051	535,110	941,051	535,110	405,941	43.14%
Total	\$ 19,633,949	18,799,035	25,724,080	26,361,276	45,358,029	45,160,311	197,718	.44%

Debt

At year-end the City's outstanding debt consisted of:

(Table 4)
Outstanding Debt at Year-end

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2006	2005	2006	2005	2006	2005		
General obligation bonds	\$ 5,563,000	6,205,560			5,563,000	6,205,560	(642,560)	-10.35%
Capital lease obligation			98,256		98,256		98,256	
Revenue bonds			14,291,307	15,060,650	14,291,307	15,060,650	(769,343)	-5.38%
Compensated absences	236,036	28,420			236,036	28,420	207,616	37.96%
	<u>\$ 5,799,036</u>	<u>6,233,980</u>	<u>14,389,563</u>	<u>15,060,650</u>	<u>20,188,599</u>	<u>21,294,630</u>	<u>(1,106,031)</u>	<u>5.19%</u>

Next Year's Budget

The City's elected and appointed officials considered many factors when setting the fiscal year 2006 budget, tax rates and fees that will be charged for the business-type activities.

The total 2007 budget without transfers was:

Receipts	\$ 6,076,500
Expenditures	5,692,326

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Clerk at 204 Commerce Street, West Point, Mississippi 39773.

CITY OF WEST POINT, MISSISSIPPI
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Cash and cash equivalents	\$ 1,360,755	513,605	1,874,360
Receivables (Net):			
Accounts	14,320	2,427,202	2,441,522
Property taxes	48,561		48,561
Other	281,125	1,808,999	2,090,124
Inventories	14,039	350,791	364,830
Prepaid items		69,811	69,811
Restricted assets:			
Cash and cash equivalents	296,637	512,905	809,542
Investments	626,211		626,211
Other assets	30,241	129,764	160,005
Capital assets, net of accumulated depreciation	19,633,949	25,724,080	45,358,029
Total Assets	<u>\$ 22,305,838</u>	<u>31,537,157</u>	<u>53,842,995</u>
<u>Liabilities:</u>			
Cash overdraft	\$ 769,399		769,399
Accounts payable	92,527	3,046,433	3,138,960
Accrued interest payable	18,420	155,399	173,819
Salaries payable	2,512		2,512
Due to other entities	424,552		424,552
Deferred credits	48,561		48,561
Other liabilities	325,848	41	325,889
Payable from restricted assets:			
Deposits		549,962	549,962
Noncurrent liabilities:			
Due within one year	636,400	906,527	1,542,927
Due in more than one year	4,926,600	13,483,036	18,409,636
Total Liabilities	<u>7,244,819</u>	<u>18,141,398</u>	<u>25,386,217</u>
<u>Net Assets:</u>			
Invested in capital assets, net of related debt	14,070,949	11,035,874	25,106,823
Restricted for:			
Capital projects	129,590	104,983	234,573
Employment fund		16,150	16,150
Debt service	663,142	221,713	884,855
Unrestricted	197,338	2,017,039	2,214,377
Total Net Assets	<u>\$ 15,061,019</u>	<u>13,395,759</u>	<u>28,456,778</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Program Activities:						
Governmental Activities:						
General government	\$ 899,567	97,164		(802,403)		(802,403)
Public safety	3,153,767	73,695		(2,819,325)		(2,819,325)
Public works	1,840,417	628,627	814,128	(397,662)		(397,662)
Cemetery	25,836	14,721		(11,115)		(11,115)
Health and welfare	62,012		62,012	-		-
Culture and recreation	446,807	19,917		(426,890)		(426,890)
Community development	29,627			(29,627)		(29,627)
Interest on long-term debt	315,508			(315,508)		(315,508)
Total Governmental Activities	6,773,541	834,124	876,140	(4,802,530)		(4,802,530)
Business-type Activities:						
Electric	13,175,951	12,989,141			(186,810)	(186,810)
Water and sewer	3,996,055	3,512,655	12,900		(470,500)	(470,500)
Total Business-type Activities	17,172,006	16,501,796	12,900		(657,310)	(657,310)
Total Government	\$ 23,945,547	17,335,920	889,040	(4,802,530)	(657,310)	(5,459,840)
General revenues:						
Taxes:						
Current year				3,524,763		3,524,763
Prior year, penalties and interest				58,034		58,034
Intergovernmental:						
Local				12,602		12,602
State				2,374,368		2,374,368
Miscellaneous				195,483		195,483
Total General Revenues and Transfers				6,165,250		6,165,250
Change in net assets				1,362,720	(657,310)	705,410
Net assets at beginning of year, as adjusted				13,698,299	14,053,069	27,751,368
Net assets at end of year				\$ 15,061,019	13,395,759	28,456,778

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Tourism Tax Fund	Economic Development Fund	Debt Service Fund	Permanent Fund	Water Pollution Fund	Other Governmental Funds	Total Governmental Funds
Assets:								
Cash and cash equivalents	\$ 212,374	315,104	7,462	669,462	175,564		156,353	1,360,755
Cash - restricted	121,073				626,211			296,637
Investments								626,211
Receivables (Net):								
Property taxes				48,561				48,561
Other	148,741	19,976	90,232				22,176	281,125
Due from other funds	25,970	605						26,575
Inventory	8,962							8,962
Other assets			30,241					30,241
Total Assets	\$ 517,120	335,685	127,935	718,023	801,775		178,529	2,679,067
Liabilities:								
Cash overdraft	\$							
Accounts payable	92,527							92,527
Salaries payable and withholdings	2,512							2,512
Due to other funds			3,383	6,320				9,703
Deferred revenue				48,561				48,561
Due to other entities	300,000		124,552					424,552
Other liabilities	89,812							89,812
Total Liabilities	\$ 484,851	0	127,935	54,881			723,559	1,391,226
Fund Balances:								
Reserved for:								
Self insurance	121,073							121,073
Playground equipment					801,775			801,775
Capital improvement		335,685					129,590	465,275
Industrial development							34,320	34,320
Debt service				663,142				663,142
Unreserved	(88,804)						(708,940)	(797,744)
Total Fund Balances	\$ 32,269	335,685		663,142	801,775		(545,030)	1,287,841
Total Liabilities and Fund Balances	\$ 517,120	335,685	127,935	718,023	801,775		178,529	2,679,067

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balance - total governmental funds	\$	1,287,841
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet		19,633,949
Interest payable on long-term debt does not require current financial resources and therefore is not reported as a liability in the governmental funds balance sheet		(18,420)
Internal service fund assets and liabilities reported on governmental funds balance sheet		(43,315)
Long-term liabilities are not due and payable in the current period and, therefore not reported in the governmental funds balance sheet:		
Uncompensated absences:	\$	(236,036)
Due within one year		(636,400)
Due in more than one year		(4,926,600)
		(5,799,036)
Net Assets of Governmental Activities	\$	15,061,019

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Revenues:</u>	<u>General</u>	<u>Tourism Tax Fund</u>	<u>Economic Development Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes:							
Current year	\$ 2,537,254			967,027			3,504,281
Prior year, penalties and interest	57,868			166			58,034
Special assessments				20,482			20,482
Licenses and permits	23,295						23,295
Intergovernmental:							
Federal revenue						876,140	876,140
State shared:							
Grants	260,747						260,747
Sales tax	1,787,880	213,284					2,001,164
Liquor privilege tax	13,500						13,500
TVA in-lieu	183,485						183,485
General municipal aid	19,911						19,911
Homestead reimbursement	56,308						56,308
Local revenue	12,602						12,602
Charges for services	829,460					4,664	834,124
Fines and forfeits	81,225						81,225
Miscellaneous revenues	58,420		5,112		27,431		90,963
Total Revenues	<u>5,921,955</u>	<u>213,284</u>	<u>5,112</u>	<u>987,675</u>	<u>27,431</u>	<u>880,804</u>	<u>8,036,261</u>
<u>Expenditures:</u>							
General government	913,077						913,077
Public Safety:							
Police	1,774,593						1,774,593
Fire	1,213,127						1,213,127
EMA	152,233						152,233
Other	50,274						50,274
Public Works:							
Administration	291,885						291,885
Highways and streets	584,030					825,172	584,030
Sanitation	406,370						1,231,542

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

	General	Tourism Tax Fund	Economic Development Fund	Debt Service Fund	Permanent Funds	Other Governmental Funds	Total Governmental Funds
Expenditures (Continued):							
Cemetery	\$ 25,156						25,156
Health and welfare						62,012	62,012
Culture and recreation	485,627	114,224					599,851
Community development			21,671			7,956	29,627
Debt service:							
Principal				642,560			642,560
Interest and fiscal charges				315,286			315,286
Total Expenditures	<u>5,896,372</u>	<u>114,224</u>	<u>21,671</u>	<u>957,846</u>	<u>-</u>	<u>895,140</u>	<u>7,885,253</u>
Excess of Revenues Over (Under) Expenditures	<u>25,583</u>	<u>99,060</u>	<u>(16,559)</u>	<u>29,829</u>	<u>27,431</u>	<u>(14,336)</u>	<u>151,008</u>
Other Financing Sources (Uses):							
Operating transfers in	72,000		16,559	28,636			117,195
Operating transfers out		(100,636)		(16,559)			(117,195)
Unrealized loss on investments					(53,499)		(53,499)
Total Other Financing Sources (Uses)	<u>72,000</u>	<u>(100,636)</u>	<u>16,559</u>	<u>12,077</u>	<u>(53,499)</u>	<u>-</u>	<u>(53,499)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	97,583	(1,576)		41,906	(26,068)	(14,336)	97,509
Fund Balances:							
July 1, 2005	(65,314)	337,261		621,236	164,229	(530,694)	526,718
Prior period adjustment					663,614		663,614
June 30, 2006	<u>\$ 32,269</u>	<u>335,685</u>		<u>663,142</u>	<u>801,775</u>	<u>(545,030)</u>	<u>1,287,841</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$	97,509
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current year.		
		834,914
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.		
		642,560
The increase in compensated absences liability does not provide a current financial resource.		
		(212,041)
Change in accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources, therefore, accrued interest expense is not reported as an expenditure in governmental funds		
		<u>(222)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>1,362,720</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-type Activities		Total Proprietary Funds	Internal Service Funds
	Enterprise Funds			
	Electric Department	Water and Sewer Department		
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 235,498	278,107	513,605	
Receivables:				
Accounts	2,407,781	19,421	2,427,202	14,320
Other	70,088	1,738,911	1,808,999	
Inventories	242,978	107,813	350,791	5,077
Prepayments	39,501	30,310	69,811	
Total Current Assets	<u>2,995,846</u>	<u>2,174,562</u>	<u>5,170,408</u>	<u>19,397</u>
Restricted Assets:				
Bond sinking funds		343,846	343,846	
Other investments	169,059		169,059	
Total Restricted Assets	<u>169,059</u>	<u>343,846</u>	<u>512,905</u>	
Non-current Assets:				
Capital assets:				
Land	42,892	313,970	356,862	
Construction in progress	846,541	64,510	911,051	
Other capital assets, net of accumulated depreciation	4,830,030	19,626,137	24,456,167	
Unamortized debt discount and expense	12,463	117,301	129,764	
Total Non-current Assets	<u>5,731,926</u>	<u>20,121,918</u>	<u>25,853,844</u>	
Total Assets	<u>\$ 8,896,831</u>	<u>22,640,326</u>	<u>31,537,157</u>	<u>19,397</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2006

	Business-type Activities		Total Proprietary Funds	Internal Service Funds
	Enterprise Funds			
	Electric Department	Water and Sewer Department		
<u>Liabilities</u>				
Current liabilities:				
Cash overdraft	\$			45,840
Accounts payable	2,971,201	75,273	3,046,474	
Customer deposits	549,962		549,962	
Accrued interest	1,282	154,117	155,399	
Current portion of long-term debt	58,088	848,439	906,527	
Total Current Liabilities	<u>3,580,533</u>	<u>1,077,829</u>	<u>4,658,362</u>	<u>45,840</u>
Non-current liabilities:				
Due to other funds				16,872
Bonds payable	380,000	13,042,868	13,422,868	
Obligations under capital lease	60,168		60,168	
Total non-current liabilities	<u>440,168</u>	<u>13,042,868</u>	<u>13,483,036</u>	<u>16,872</u>
Total Liabilities	<u>4,020,701</u>	<u>14,120,697</u>	<u>18,141,398</u>	<u>62,712</u>
<u>Net Assets</u>				
Restricted for capital projects		104,983	104,983	
Invested in capital assets, net of related debt	5,291,758	5,744,116	11,035,874	
Restricted:				
Debt service		221,713	221,713	
Unemployment fund		16,150	16,150	
Unrestricted	(415,628)	2,432,667	2,017,039	(43,315)
Total Net Assets	<u>\$ 4,876,130</u>	<u>8,519,629</u>	<u>13,395,759</u>	<u>(43,315)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities Enterprise Funds		Total Proprietary Funds
	Electric Department	Water and Sewer Department	
<u>Operating Revenues:</u>			
Charges for services	\$ 12,989,141	3,513,855	16,502,996
Grants		11,700	11,700
Total Operating Revenues	<u>12,989,141</u>	<u>3,525,555</u>	<u>16,514,696</u>
<u>Operating Expenses:</u>			
Power purchased	10,585,821		10,585,821
Operation and maintenance	2,216,566	2,192,189	4,408,755
Depreciation and amortization	359,496	1,056,984	1,416,480
Total Operating Expenses	<u>13,161,883</u>	<u>3,249,173</u>	<u>16,411,056</u>
Operating Income (Loss)	<u>(172,742)</u>	<u>276,382</u>	<u>103,640</u>
<u>Nonoperating Revenues (Expenses):</u>			
Interest and fiscal charges (net)	(11,187)	(566,882)	(578,069)
Miscellaneous (net)	(2,881)	(180,000)	(182,881)
Total Nonoperating Revenues (Expenses)	<u>(14,068)</u>	<u>(746,882)</u>	<u>(760,950)</u>
Change in Net Assets	(186,810)	(470,500)	(657,310)
<u>Net Assets - Beginning of Year</u>	<u>5,062,940</u>	<u>8,990,129</u>	<u>14,053,069</u>
<u>Net Assets - End of Year</u>	<u>\$ 4,876,130</u>	<u>8,519,629</u>	<u>13,395,759</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities			
	Enterprise Funds		Total Proprietary Funds	Internal Service Fund
	Electric Department	Water and Sewer Department		
<u>Cash Flows from Operating Activities:</u>				
Cash received from customers	\$ 12,604,665	4,131,569	16,736,234	202,358
Other operating cash receipts		(252,070)	(252,070)	
Cash payments to suppliers for goods and services	(11,295,675)	(1,282,306)	(12,577,981)	(121,861)
Cash payments to employees for services	(1,060,112)	(910,800)	(1,970,912)	(116,478)
Net Cash Provided by (Used in) Operating Activities	<u>248,878</u>	<u>1,686,393</u>	<u>1,935,271</u>	<u>(35,981)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Cash paid to City	-	(180,000)	(180,000)	
Net Cash Flows from Noncapital Financing Activities	<u>-</u>	<u>(180,000)</u>	<u>(180,000)</u>	
<u>Cash Flows Used from Capital and Related Financing Activities:</u>				
Acquisition of capital assets (net)	(611,557)	(144,337)	(755,894)	
Proceeds of capital debt	116,595	30,800	147,395	
Principal payment on long-term debt	(38,339)	(780,143)	(818,482)	
Miscellaneous cash receipts (payments)	346,049		346,049	
Interest paid		(585,587)	(585,587)	
Net Cash Flows Used from Capital and Related Financing Activities	<u>(187,252)</u>	<u>(1,479,267)</u>	<u>(1,666,519)</u>	
<u>Cash Flows Provided by Investing Activities:</u>				
Interest received	7,285	5,278	12,563	
Net Cash Flows Provided by Investing Activities	<u>7,285</u>	<u>5,278</u>	<u>12,563</u>	
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>				
	68,911	32,404	101,315	(35,981)
<u>Cash and Cash Equivalents at Beginning of Year</u>				
	<u>166,587</u>	<u>245,703</u>	<u>412,290</u>	<u>(9,859)</u>
<u>Cash and Cash Equivalents at End of Year</u>				
	<u>\$ 235,498</u>	<u>278,107</u>	<u>513,605</u>	<u>(45,840)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities		Total Proprietary Funds	Internal Service Fund
	Enterprise Funds			
	Electric Department	Water and Sewer Department		
Reconciliation of income from operations to net cash provided by operating activities:				
Income (loss) from operations	\$ (172,742)	276,382	103,640	(43,314)
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation and amortization	359,496	1,056,984	1,416,480	
(Increase) Decrease in:				
Receivables	(403,317)	(266,445)	(669,762)	(2,455)
Inventories	26,748	2,061	28,809	585
Prepaid expenses	(7,161)	15,033	7,872	
Restricted cash	346,049	584,367	930,416	
Increase (Decrease) in:				
Payables	164,456	18,011	182,467	9,203
Customer deposits	(64,651)		(64,651)	
Net Cash Provided by (Used in) Operating Activities	<u>\$ 248,878</u>	<u>1,686,393</u>	<u>1,935,271</u>	<u>(35,981)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Agency Funds</u>
<u>Assets:</u>	
Receivables (net):	
Property taxes	\$ <u>0</u>
Total Assets	<u>0</u>
<u>Liabilities:</u>	
Other liabilities	<u>0</u>
Total Liabilities	<u>0</u>
<u>Net Assets</u>	
Held in Trust for Others	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Agency Funds</u>
<u>Additions:</u>	
Property taxes	\$ 5,267,816
Total additions	<u>5,267,816</u>
<u>Deductions:</u>	
Payments to school district	5,267,816
Total deductions	<u>5,267,816</u>
Change in net assets	-
Net Assets - beginning of year	<u> </u>
Net Assets - end of year	<u>\$ <u> </u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of West Point, Mississippi, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the City has elected to follow (1) all GASB pronouncements and (2) all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinion, and Accounting Research Bulletins (ARB), no matter when issued, except those that conflict with a GASB pronouncement. The more significant of the government's accounting policies are described below.

A. New Accounting Standard Adopted

In fiscal year 2003, the City adopted three new statements of financial accounting standards.

- a) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- b) Statement No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- c) Statement No. 38 – *Certain Financial Statement Disclosures*

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Long-term Debt Account Group.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the City's General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34 to focus on major funds, as opposed to presenting fund types.

Statement No. 34 also requires certain required supplementary information in the form of Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

Statement No. 37 amends GASB Statements No. 21 and No. 34. The amendments to Statement 21 are necessary because of the changes to the fiduciary fund structure required by Statement 34. Generally, escheat property that was reported in an expendable trust fund in the previous model should be reported in a private purpose trust fund under Statement 34. Additionally, the amendments either (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent application or (2) modify other provisions that the GASB Board believes may have unintended consequences in some circumstances. This statement became effective for the City in fiscal year 2003.

GASB has issued Statement No. 38, *Certain Financial Statement Note Disclosures* which modifies, establishes and rescinds certain financial statement disclosure requirements.

B. Government-wide and Fund Financial Statements

Government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is accountable.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Financial Reporting Entity

The City of West Point, located in Clay County, Mississippi, was incorporated in 1858, and operates under an elected Mayor-Board of Selectmen form of government and presently operates under a special charter issued by the state legislature in 1918. This special charter establishes June 30 as the end of the city's fiscal year. The City provides the following services to the citizenry: general administration; electricity, water, sewer, garbage disposal; police and fire protection; economic development; street repair and library services. The primary sources of revenues are property taxes, utility billings and sales taxes. Various criteria are applied in order to determine the various funds and activities which should be reported as part of the City. Such criteria includes oversight responsibility by the elected officials such as decision-making authority, accountability to the City, legal and fiscal responsibility, and inter-agency relationships. All agencies meeting the above criteria are included in the financial statements of the City. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Each blended component unit has a June 30 year-end except for the Electric Department which has a June 30 year end. This special charter establishes June 30 as the end of the city's fiscal year.

Included within the reporting entity:

City of West Point Electric Department. The Electric Department's governing board is the City's governing body. The rates for user charges and bond issuance authorizations are determined by the government's governing body.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

City of West Point Water and Sewer Department. The Water Department's governing board is the City's governing body. The rates for user charges and bond issuance authorizations are determined by the government's governing body.

Excluded from the reporting entity:

West Point School District. The West Point School District's governing board is appointed primarily by the City's governing body. The City does not hold title to any of the school's assets, nor does it have any right to the school's surpluses. The City does not have the ability to exercise influence over daily operations or approve budgets.

City of West Point Housing Authority. The Housing Authority's governing board is appointed by the City's governing body. The City does not hold title to any of the Housing Authority's assets, nor does it have any rights to its surpluses. The City does not have the ability to exercise influence over daily operations or approve budgets.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments.

Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major revenue sources susceptible to accrual include: sales and use taxes, tourism taxes, property taxes, franchise taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. See Note 5 for information describing restricted assets.

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The City reports the following governmental funds:

- a) *General Fund* – The General Fund is the City's primary operating fund. It accounts for all financial resources of the City's general government, except those required to be accounted for in another fund.
- b) *Special Revenue Funds* – Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes.
- c) *Debt Service Funds* – Debt Service Funds account for the servicing of general long-term debt.
- d) *Capital Projects Funds* – Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects (other than those financed by proprietary funds).

Proprietary Funds

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City reports the following proprietary funds:

- a) *Enterprise Funds* – Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business, primarily through user charges or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fiduciary Funds

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent.

- a) *Agency Funds* – Agency Funds are custodial in nature and do not present results of operations or have a measurement focus.

E. Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates market. The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

F. Inventories

Inventories of the enterprise funds are stated at cost as determined by the moving average method. The governmental funds record inventoriable items as expenses when purchased, thus inventories of supplies on hand are not reported as assets.

G. Capital Assets, Depreciation, and Amortization

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Building and equipment	\$ 17,080,049	73,154	-	17,153,203
Streets	<u>1,718,986</u>	<u>761,760</u>	-	<u>2,480,746</u>
Governmental activities capital Assets, net	<u>\$ 18,799,035</u>	<u>834,914</u>	-	<u>19,633,949</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 313,970			313,970
Construction in progress	<u>535,110</u>	<u>407,107</u>	(1,166)	<u>941,051</u>
Total Capital Assets Not Being Depreciated	<u>849,080</u>	<u>407,107</u>	(1,166)	<u>1,255,021</u>
Other Capital Assets:				
Distribution and collection systems	29,930,332	68,534		29,998,866
Buildings and equipment	<u>11,937,149</u>	<u>264,869</u>	(32,785)	<u>12,169,233</u>
Total Other Capital Assets	<u>41,867,481</u>	<u>333,403</u>	(32,785)	<u>42,168,099</u>
Less accumulated depreciation:	<u>16,355,285</u>	<u>1,394,733</u>	<u>50,978</u>	<u>17,699,040</u>
Other capital assets, net	<u>25,512,196</u>	(1,061,330)	<u>18,193</u>	<u>24,469,059</u>
Business-type Activities Capital Assets, Net	<u>\$ 26,361,276</u>	(654,223)	<u>17,027</u>	<u>25,724,080</u>

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management has not recorded certain general infrastructure assets and prior year capital assets as required by GASB 34. These assets are presumed to be material in relation to the governmental activities. Therefore, the omission of these assets creates an adverse opinion on the governmental activities opinion unit.

Depreciation expense was charged to functions as follows:

Business-type Activities:

Electric	\$ 359,496
Water and sewer	<u>1,033,594</u>
Total Business-type Activities Depreciation Expense	\$ <u>1,393,090</u>

H. Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

I. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

J. Compensated Employee Absences

Employees can accumulate vacation days and sick days up to a maximum at which point any additional days are lost. Employees are completely vested in vacation days up to the maximum in that they can take them or be paid for them upon termination. Sick days may be taken only for bona fide sickness and are lost upon termination of employment.

The City accrues compensated absences when vested. The current portions of the Governmental Funds' compensated absences liabilities are recorded as accrued liabilities. The current and noncurrent portions are recorded in the government-wide financial statements. The amount of vacation recognized as expense is the amount earned during the year.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Risk Management

The City 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 City participates in the Mississippi Municipal Liability Plan to cover such losses. The City is currently a defendant in several law suits in various stages. While the litigation is at too early a stage to accurately evaluate, legal representatives for the Mississippi Municipal Liability Plan anticipate the plan covering any judgment that may be assessed against it. Settled claims have not exceeded coverage in any of the past three years.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: PROPERTY TAX

Taxes are levied in June each year and are payable in the subsequent year between October 1 and November 15. Property taxes attach an enforceable lien on property as of January 1 of the year subsequent to that to which the tax applies.

The tax rates applicable to 2006 are as follows:

<u>City of West Point</u>	<u>Mills</u>
General city	20.0
City bond and interest	12.9
Library	<u>.7</u>
	<u>33.6</u>
<u>Separate School District</u>	
District maintenance	41.6
Debt service	<u>6.8</u>
Total	<u>82.0</u>

Note 3: BUDGET POLICY

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

- A. Prior to June 30, the City Clerk submits to the Mayor and Selectmen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenses and expenditures and the means of financing them.

Note 3: BUDGET POLICY (CONTINUED)

- B. Public notice is given of the City's budget meetings being open to the public, so that a public hearing is conducted on the budget.
- C. The budget as submitted is reviewed by the Mayor and Selectmen and necessary revisions are made to the budget. Then the budget is approved prior to June 30.
- D. The budget is formally revised during June of each year or anytime a deficit is indicated.
- E. Budgetary comparisons are employed by management as a management control device during the year for all funds.
- F. Appropriations lapse at the end of each fiscal year.

Mississippi laws require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the statement of revenues, expenditures, and fund balance be prepared according to the modified-accrual basis (GAAP). The major reconciling items between the budgetary and GAAP presentations are presented on the "budget to actual" statements.

Note 4: CASH AND INVESTMENTS

Deposits

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

These cash balances differ from the amounts shown in the financial statements because of in-transit items.

Investments

The City may invest its surplus funds in certificates of deposits, any bonds or direct obligations of the United States of America or the State of Mississippi, or in the bonds of any county, municipality or school district of Mississippi provided such bonds have been approved by a reputable bond attorney or have been validated by a decree of the Chancery Court. During the year ending June 30, 2006, the City invested only in bank certificates of deposit.

Note 5: Long-term liabilities

The following is a summary of changes in long-term liabilities reported in the government - wide financials for the year ended June 30, 2006:

	<u>Beginning Balance</u>	<u>Additions/ Proceeds</u>	<u>Reductions/ Payments</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation	\$ 6,205,560		(642,560)	5,563,000	636,400
Compensated absences	23,995	212,041		236,036	
Governmental Activities Total	<u>6,229,555</u>	<u>212,041</u>	<u>(642,560)</u>	<u>5,799,036</u>	<u>636,400</u>
Business Activities:					
Bonds payable:					
Electric Department	420,000		(20,000)	400,000	20,000
Capital lease obligation		116,595	(18,339)	98,256	38,088
Water and Sewer Department	<u>14,640,650</u>	<u>30,800</u>	<u>(780,143)</u>	<u>13,891,307</u>	<u>848,439</u>
Total	<u>15,060,650</u>	<u>147,395</u>	<u>(818,482)</u>	<u>14,389,563</u>	<u>906,527</u>
Business Activities Total	<u>15,060,650</u>	<u>147,395</u>	<u>(818,482)</u>	<u>14,389,563</u>	<u>906,527</u>
Government-wide Total	<u>\$ 21,290,205</u>	<u>359,436</u>	<u>(1,461,042)</u>	<u>20,188,599</u>	<u>1,542,927</u>

Note 5: Long-term liabilities (continued)

Detail of bonds, notes and capital leases:

	Date Issued	Final Maturity	Range of Interest Rates at Issue Date	Balance at 6/30/2006	
				Governmental Activities	Business Activities
General Obligation Bonds:					
1995 issue	03/01/95	03/01/10	5.60-6%	\$ 220,000	
1997 issue	11/01/96	11/01/06	4.6-5%	365,000	
1999 issue	04/01/99	04/01/09	4.1-4.4%	225,000	
Sportsplex	04/01/99	04/01/16	4.90%	736,000	
1999 issue	12/01/99	12/01/19	4.9-6.625%	2,525,000	
Recreation Bonds	04/01/00	04/01/16	5.48%	387,000	
Street Bonds	08/01/02	08/01/12	3-4%	1,045,000	
1997 issue	07/01/97	07/01/07	4.95%	60,000	
Revenue Bonds and Notes:					
Electric Department Bonds	07/01/04	07/01/10			400,000
Capital leases - Electric Department	12/22/05	12/22/08	3.94%		98,256
Waterworks	04/01/89	04/01/09	7.4-7.6%		215,000
Waterworks	09/01/98	09/01/23	4.4-5.75%		7,395,000
Waterworks	05/31/96	11/01/12	3.7%		136,581
Wastewater	01/01/03	08/01/09	4.2%		1,242,448
Waterworks	01/08/97	12/01/12	4%		98,618
Waterworks - USDA	06/01/03	06/01/19	6%		88,833
Waterworks - USDA	06/01/03	06/01/35	5%		478,588
Waterworks - State of Mississippi	06/01/03	06/01/23	3%		1,400,403
Advance on loan - State of Mississippi	04/01/04				2,835,836
				\$ 5,563,000	14,389,563

Note 5: Long-term Liabilities (Continued)

The annual debt service requirements of bonds, notes and capital leases are as follows:

Governmental Activities

<u>Fiscal year ending 6/30</u>	General Obligation Bonds Principal
2007	\$ 636,400
2008	624,500
2009	618,000
2010	612,400
2011	610,200
Thereafter	<u>2,461,500</u>
Total	<u>5,563,000</u>

Business Activities

<u>Fiscal year ending 6/30</u>	Water and Sewer Department Revenue Bonds Principal
2007	848,439
2008	884,570
2009	929,361
2010	884,422
2011	261,139
Thereafter	<u>10,083,376</u>
Total	<u>\$ 13,891,307</u>

The Water and Sewer Department has not complied with \$8,500,000 Special Obligation Revenue Bonds bond ordinance requirements. As of June 30, 2006, the reserve fund for payment of interest and principal was underfunded by \$147,370. The contingency fund and depreciation fund were fully funded.

<u>Fiscal year ending 6/30</u>	Electric System Revenue Bonds
2007	\$ 20,000
2008	20,000
2009	25,000
2010	25,000
2011	25,000
Thereafter	<u>285,000</u>
Total	<u>\$ 400,000</u>

Note 6: HOMESTEAD EXEMPTION TO BE RECOVERED FROM STATE IN SUBSEQUENT YEAR

The State of Mississippi reimburses municipalities for homestead exemption claims on March 1 and on September 1. The City of West Point's fiscal year ends on June 30, and the amount of reimbursement expected from the State of Mississippi in September is not recorded in the financial statements.

Note 7: TRANSFERS IN/OUT

The following schedule reconciles transfers made among the Municipal Funds for the year ended June 30, 2006.

<u>General Funds:</u>	<u>Transferred In</u>	<u>Transferred Out</u>
General Fund	\$ 72,000	
 <u>Debt Service Funds:</u>		
City Bond and Interest Fund	28,636	16,559
 <u>Agency Funds:</u>		
Economic Development	16,559	
 <u>Special Revenue Funds:</u>		
Tourism Tax Fund	-	<u>100,636</u>
Totals	<u>\$ 117,195</u>	<u>117,195</u>

Note 8: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2006, were as follows:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 25,970	
Tourism tax fund	605	
Economic development fund		3,383
Debt service funds		6,320
Internal service fund	-	<u>16,872</u>
	<u>\$ 26,575</u>	<u>26,575</u>

Note 9: PENSION PLAN

Plan Description. The City of West Point, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of

Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444 PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and City of West Point, Mississippi is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of West Point, Mississippi's contributions to PERS for the years ending June 30, 2006, 2005 and 2004 were \$389,642, \$396,500, and \$392,610, respectively, equal to the required contributions for each year.

Note 10: NO COMMITMENT DEBT

Long-term debt does not include amounts for Industrial Revenue Bonds issued under authority of Section 57-3-1 through Section 57-3-33, Miss. Code Ann. (1972). Industrial Revenue Bonds are issued to provide funds for direct financing leases to aid industries which manufacture, process or assemble agricultural or manufactured products or any industry engaged in storing or warehousing products of agriculture, mining or industry. These leases are administered by trustees with terms which provide for transfer of title of the property after all bonds are paid in full.

Bonds issued under provision of the above mentioned law do not constitute an indebtedness of the City within the meaning of any state constitutional provision or limitation, or never give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers, and such fact is plainly stated in the face of the bonds.

Note 11: DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

Included in funds of Governmental Activities are the following funds with deficit fund balances:

Ambulance Fund	\$ 678,954
Sanitary Landfill Fund	29,986

The deficit fund balances are not in violation of state law.

Note 12: SUBSEQUENT EVENT

On January 29, 2007, the largest commercial customer of the Water and Sewer Department and the Electric System announced they were ceasing operations in West Point effective March 30, 2007. Sales to this customer represented 28% of water sales and 32% of electricity sales for the year ending June 30, 2006.

This large customer is also the municipality's largest taxpayer. Even though the company has ceased operations, they continue to own the property and are expected to continue to pay property taxes on the real property. Their intent on disposition of the personal property is unknown at this time.

CITY OF WEST POINT, MISSISSIPPI
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

<u>Revenues:</u>	<u>Budgeted Amounts</u>		<u>Actual</u> <u>GAAP Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Current year	\$ 2,979,000	2,979,000	2,593,562	(385,438)
Prior year, penalties and interest	92,000	92,000	57,868	(34,132)
Licenses and permits	28,000	28,000	23,295	(4,705)
Intergovernmental:				
Local revenue	93,000	93,000	30,602	(62,398)
State revenue	1,985,000	1,985,000	2,247,523	262,523
Charges for services	649,000	649,000	829,460	180,460
Fine and forfeits	160,000	160,000	81,225	(78,775)
Miscellaneous revenues	90,500	90,500	58,420	(32,080)
Total Revenues	<u>6,076,500</u>	<u>6,076,500</u>	<u>5,921,955</u>	<u>(154,545)</u>
<u>Expenditures:</u>				
General government	1,241,816	1,241,816	913,077	328,739
Police Department	1,713,500	1,713,500	1,774,593	(61,093)
Fire Department	922,850	922,850	1,213,127	(290,277)
Public Works	1,730,160	1,730,160	1,509,948	220,212
Culture and recreation	111,000	111,000	485,627	(374,627)
Total Expenditures	<u>5,719,326</u>	<u>5,719,326</u>	<u>5,896,372</u>	<u>(177,046)</u>
Excess of Revenues Over (Under) Expenditures	\$ <u>357,174</u>	<u>357,174</u>	<u>25,583</u>	<u>(331,591)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>Department of Justice</u>		
Direct program:		
Victim Witness Protection	16.575	\$ 62,012
Passed through Mississippi Department of Homeland Security		
Homeland Security	97.036	<u>162,371</u>
Total Department of Justice		<u>224,383</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed through Mississippi Department of Economic Development		
CDBG Project #1122-05-387-PF-01	14.228	468,479
CDBG Project #1122-05-387-ED-01	14.228	<u>293,281</u>
Total U.S. Department of Housing and Urban Development		<u>761,760</u>
<u>Federal Emergency Management Agency</u>		
Passed through State of Mississippi		
Mississippi Emergency Management Agency Public Assistance Grants	83.544	<u>42,983</u>
Total Federal Emergency Management Agency		<u>42,983</u>
<u>U.S. Department of Environmental Protection Agency</u>		
Passed through State of Mississippi		
USEPA	66.458	11,700
Water Pollution Central Revolving Loan Fund	66.458	<u>30,800</u>
Total U.S. Department of Environmental Protection Agency		<u>42,500</u>
<u>U.S. Department of Transportation</u>		
Passed through Mississippi Department of Transportation		
McCharen Field Airport	20.106	48,228
Various City streets	20.205	<u>4,141</u>
Total U.S. Department of Transportation		<u>52,369</u>
<u>Total for All Federal Awards</u>		\$ <u>1,123,995</u>

NOTES TO SCHEDULE

(1) This schedule was prepared using the same basis of accounting and the same significant accounting policies as applicable, used for the general purpose financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CITY OF WEST POINT, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section 1: Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of City of West Point, Mississippi.
2. No material weaknesses in internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of City of West Point, Mississippi, were disclosed during the audit.
4. No material weaknesses in internal control over major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for City of West Point, Mississippi, expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for City of West Point, Mississippi, required to be reported in accordance with Section 510(a) of Circular A-133,
7. The program tested as major program was:

<u>Name</u>	<u>CFDA Number</u>
CDBG Project #1122-05-387-PF-01	14.228

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee qualified as a low-risk auditee.

Section 2: Findings Relating to the Financial Statements

None.

Section 3: Findings and Questioned Costs for Federal Awards

None.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section .315(b) of OMB Circular A-133, the City of West Point, Mississippi has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2006:

There were no prior year findings.

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



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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Stephen D. Flake, CPA
John N. Russell, CPA
Kenny Dickerson, CPA

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

The Honorable Mayor and Board of Selectmen
The City of West Point
West Point, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of West Point, Mississippi, as of and for the year ended June 30, 2006, which collectively comprise the City of West Point, Mississippi's basic financial statements and have issued our report thereon dated September 28, 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 City of West Point, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether City of West Point, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Governments Auditing Standards*.

This report is intended solely for the information and use of the City Board, management, 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.

West Point, Mississippi
September 28, 2007

Watkins Ward and Stafford PLLC

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



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

The Honorable Mayor and Board of Selectmen
The City of West Point
West Point, Mississippi

Compliance

We have audited the compliance of City of West Point, Mississippi, 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, 2006. City of West Point, Mississippi's major federal programs are identified in the summary of auditors' 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 City of West Point, Mississippi's management. Our responsibility is to express an opinion on City of West Point, Mississippi'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 City of West Point, Mississippi'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 City of West Point, Mississippi's compliance with those requirements.

In our opinion, City of West Point, Mississippi, 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, 2006.

Internal Control Over Compliance

The management of City of West Point, Mississippi, 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 City of West Point, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal the control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Board, management, 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.

West Point, Mississippi
September 28, 2007

Watkins Ward and Stafford PLLC

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Kenny Dickerson, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

The Honorable Mayor and Board of Selectmen
The City of West Point
West Point, Mississippi

We have audited the financial statements of the City of West Point, Mississippi as of and for the year ended June 30, 2006, and have issued our report thereon dated September 28, 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*.

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 state laws and regulations. However, providing an opinion on compliance with 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 and our audit of the general purpose financial statements did not disclose any instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the City of West Point's management. However, this report is a matter of public record and its distribution is not limited.

West Point, Mississippi
September 28, 2007

Watkins Ward and Stafford PCC