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CITY OF WEST POINT, MISSISSIPPI

**Audited Financial Statements and
Special Reports**

June 30, 2019

CITY OF WEST POINT, MISSISSIPPI

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FINANCIAL AUDIT REPORT



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

James L. Stafford, CPA	Stephen D. Flake, CPA
Harry W. Stevens, CPA	John N. Russell, CPA
S. Keith Winfield, CPA	Thomas A. Davis, CPA
William B. Staggers, CPA	Anita L. Goodrum, CPA
Michael W. McCully, CPA	Ricky D. Allen, CPA
R. Steve Sinclair, CPA	Jason D. Brooks, CPA
Marsha L. McDonald, CPA	Robert E. Cordle, Jr., CPA
Wanda S. Holley, CPA	Perry C. Rackley, Jr., CPA
Robin Y. McCormick, CPA/PFS	Jerry L. Gammel, CPA
J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	Edward A. Maxwell, CPA
Thomas J. Browder, CPA	

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, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Point, Mississippi, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of City's proportionate share of the net pension liability, and schedule of the City's contributions on pages 4-8 and 45-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Point, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Surety Bonds for City Officials and the Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Surety Bonds for City Officials and the Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2020, on our consideration of the City of West Point, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of West Point, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of West Point, Mississippi's internal control over financial reporting and compliance.

West Point, Mississippi
August 18, 2021

Watkins Ward and Stafford, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WEST POINT, MISSISSIPPI
Management's Discussion and Analysis
For the year ended June 30, 2019

INTRODUCTION

The discussion and analysis of the City of West Point's financial performance provides an overall narrative review of the City's financial activities for the years ended June 30, 2019 and 2018. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the City's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this City's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the City's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

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

FINANCIAL HIGHLIGHTS

- Total net position increased \$888,729, which represents a 2,043.7% increase from fiscal year 2018.
- General revenues account for \$7,891,076 in revenue, or 28.8% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$19,550,908 or 71.2% of total revenues.
- The City had \$26,553,254 in expenses; only \$19,550,908 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,891,076 were adequate to provide for the remaining expenses of \$7,002,347.
- Among the major funds, the General Fund and the Waverly Road Fund had \$8,146,276 and \$1,445,088 in revenues and \$8,279,230 and \$1,445,088 in expenditures respectively. Other financing sources (uses) provided a net source of funds of \$200,329 for the General Fund. The General Fund's fund balance increased \$67,376 over the prior year. The Other Governmental Funds had \$1,970,828 in revenues and \$1,796,274 in expenditures. Other financing sources (uses) provided a net source of funds of \$21,750. The Other Governmental Fund's fund balance increased \$196,304 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by 156,726 from the prior year.
- Total long-term debt including current maturities decreased by \$487,101.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

CITY OF WEST POINT, MISSISSIPPI
Management's Discussion and Analysis
For the year ended June 30, 2019

business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

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

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include police, fire, public works, parks & recreation, library, and general administration.

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

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 describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.

Proprietary Funds. When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary fund is the same as business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City's budget process. The City adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund.

CITY OF WEST POINT, MISSISSIPPI
Management's Discussion and Analysis
For the year ended June 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position. Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,548,657 as of June 30, 2019 and by \$24,274,524 as of June 30, 2018.

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

The following table presents a summary of the City's net position for the fiscal year ended June 30:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,497,272	2,196,787	11,874,273	11,207,374	14,371,545	13,404,161
Capital assets	12,836,407	12,993,133	36,486,714	38,273,878	49,323,121	51,267,011
Total Assets	15,333,679	15,189,920	48,360,987	49,481,252	63,694,666	64,671,172
Deferred outflows of resources	752,513	1,008,803	479,723	599,103	1,232,236	1,607,906
Current and other liabilities	11,696,725	11,615,001	6,939,047	6,871,396	18,635,772	18,486,397
Long-term debt	3,514,093	4,001,194	16,789,487	18,465,786	20,303,580	22,466,980
Total Liabilities	15,210,818	15,616,195	23,728,534	25,337,182	38,939,352	40,953,377
Deferred inflows of resources	237,467	220,055	201,426	831,122	438,893	1,051,177
Net Position:						
Net investment						
in capital assets	9,550,466	9,213,802	19,697,226	19,776,016	29,247,692	28,989,818
Restricted	686,806	489,231	1,815,304	1,881,157	2,502,110	2,370,388
Unrestricted	(9,599,365)	(9,340,560)	3,398,220	2,254,878	(6,201,145)	(7,085,682)
Total Net Position	\$ 637,907	362,473	24,910,750	23,912,051	25,548,657	24,274,524

Changes in net position. The City's total revenues for the fiscal year ended June 30, 2019 and 2018 were \$27,441,984 and \$26,012,755 respectively. The total cost of all programs and services was \$26,553,255 and \$25,971,298. The following table presents a summary of the changes in net position for the fiscal year ended June 30:

CITY OF WEST POINT, MISSISSIPPI
Management's Discussion and Analysis
For the year ended June 30, 2019

Revenues:	2019	2018
Program revenues	\$ 19,550,908	18,817,577
General revenues	7,891,076	7,195,178
Total revenues	<u>27,441,984</u>	<u>26,012,755</u>
Expenses:		
Governmental Activities	11,286,760	10,332,978
Business-type Activities	15,266,495	15,638,320
Total expenses	<u>26,553,255</u>	<u>25,971,298</u>
Increase (decrease) in net position	<u>\$ 888,729</u>	<u>41,457</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$929,078, an increase of \$263,680 from the prior year.

The General Fund is the principal operating fund of the City. The increase in fund balance in the General Fund for the fiscal year was \$67,376. The fund balance in the Other Governmental Funds (Non-Major funds) increase by \$196,304 from the previous year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not revise the annual operating budget as originally adopted.

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as Required Supplementary Information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019, the City's total net capital assets were \$49,323,121 including land, buildings, improvements, infrastructure, vehicles, and furniture and equipment. This amount represents a decrease of \$1,943,890 from the previous year.

**CITY OF WEST POINT, MISSISSIPPI
Management's Discussion and Analysis
For the year ended June 30, 2019**

Additional information of the City's capital assets can be found at Note 4 on page 33 of this report.

Debt Administration. At June 30, 2019, the City had \$20,044,488 in long-term debt outstanding – which includes a premium on prior year refunding bonds in the amount of \$9,570 and a deferred loss in the amount of (\$40,510) of which \$2,438,627 is due within one year. In addition, the liability for compensated absences increased \$6,289 from the previous year.

Additional information of the City's long-term debt can be found at Note 6 on pages 35 – 37 of this report.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the City Clerk's Office at 580 Commerce Street, West Point, MS 39773, telephone 662-494-2573.

BASIC FINANCIAL STATEMENTS

CITY OF WEST POINT, MISSISSIPPI
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,524,739	5,678,404	7,203,143
Investments	-	21,387	21,387
Accounts receivable, net	163,782	1,960,117	2,123,899
Intergovernmental receivables	374,974	-	374,974
Other receivables, net	-	54,469	54,469
Prepaid expenses	-	5,600	5,600
Inventories	18,474	547,259	565,733
Due from other funds	312,514	1,791,733	2,104,247
Restricted assets			
Cash and cash equivalents	102,789	1,815,304	1,918,093
Capital assets, net	12,836,407	36,486,714	49,323,121
Total assets	<u>15,333,679</u>	<u>48,360,987</u>	<u>63,694,666</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Loss on debt defeasance	-	40,510	40,510
Insurance	2,672	-	2,672
Debt expense	-	124,527	124,527
Pension plan related	749,841	314,686	1,064,527
Total Deferred Outflows of Resources	<u>752,513</u>	<u>479,723</u>	<u>1,232,236</u>
<u>LIABILITIES</u>			
Accounts payable	649,299	922,665	1,571,964
Accrued interest payable	31,981	34,346	66,327
Other liabilities	131,011	136,623	267,634
Due to other funds	1,249,452	839,465	2,088,917
Customer Deposits	-	819,429	819,429
Long-term liabilities, due within one year:			
Capital related debt	653,412	1,699,599	2,353,011
Long-term liabilities, due beyond one year:			
Capital related debt	2,632,529	15,089,873	17,722,402
Non-capital related debt	228,152	-	228,152
Pension Liability	9,634,982	4,186,519	13,821,501
Total liabilities	<u>15,210,818</u>	<u>23,728,519</u>	<u>38,939,337</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Premium on G.O. refunding bonds	-	9,570	9,570
Deferred revenue	-	-	-
Pension plan related	237,467	191,856	429,323
Total Deferred Inflows of Resources	<u>237,467</u>	<u>201,426</u>	<u>438,893</u>

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

CITY OF WEST POINT, MISSISSIPPI
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>NET POSITION</u>			
Net investment in capital assets	\$ 9,550,466	19,697,226	29,247,692
Restricted for:			
Expendable:			
Debt service	(27,384)	1,815,304	1,787,920
Playground equipment	102,789	-	102,789
Street resurfacing	24,785	-	24,785
Culture and recreation	686,650	-	686,650
Public safety	(100,034)	-	(100,034)
Unrestricted	(9,599,365)	3,398,220	(6,201,145)
Total Net Position	<u>\$ 637,907</u>	<u>24,910,750</u>	<u>25,548,657</u>

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

CITY OF WEST POINT, MISSISSIPPI
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental Activities					
General government	\$ 1,853,165	271,597			(1,581,568)
Public safety	4,048,344	231,002		17,000	(3,800,342)
Public works	3,638,246	863,370	18,969	1,656,222	(1,099,685)
Culture and recreation	945,810	25,075			(920,735)
Cemetery	1,252				(1,252)
Health and welfare	663,964	10,108	649,541		(4,315)
Interest on long-term debt	135,978				(135,978)
Total governmental activities	<u>11,286,759</u>	<u>1,401,152</u>	<u>668,510</u>	<u>1,673,222</u>	<u>(7,543,876)</u>
Business-type Activities					
Electric department	9,844,071	9,928,168			84,097
Water and sewer department	<u>5,422,424</u>	<u>5,879,856</u>			<u>457,432</u>
Total business-type activities	<u>15,266,495</u>	<u>15,808,024</u>	<u>-</u>	<u>-</u>	<u>541,529</u>
Total primary government	<u>\$ 26,553,254</u>	<u>17,209,176</u>	<u>668,510</u>	<u>1,673,222</u>	<u>(7,002,347)</u>
		Governmental Activities	Business-type Activities	Total	
Changes in Net Position:					
Net (expense) / revenue		\$ <u>(7,543,876)</u>	<u>541,529</u>	<u>(7,002,347)</u>	
General revenues					
Taxes					
Property taxes			4,394,601		4,394,601
Sales and tourism taxes			2,346,383		2,346,383
Other taxes			163,974		163,974
Investment income			65,824	71,766	137,590
Other			848,528		848,528
Total general revenues and transfers			<u>7,819,310</u>	<u>71,766</u>	<u>7,891,076</u>
Change in net position			275,434	613,295	888,729
Net Position, Beginning			<u>362,473</u>	<u>24,297,455</u>	<u>24,659,928</u>
Net Position, Ending			<u>\$ 637,907</u>	<u>24,910,750</u>	<u>25,548,657</u>

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

CITY OF WEST POINT, MISSISSIPPI
Balance Sheet -
Governmental Funds
June 30, 2019

	Major Funds		Other	Total
	General	Waverly Road	Governmental	Governmental
	Fund	Fund	Funds	Funds
Assets				
Cash and cash equivalents	\$ 1,520,993	-	427,847	1,948,840
Cash - restricted	-	-	102,789	102,789
Accounts receivable	138,947	-	21,335	160,282
Intergovernmental receivables	218,726	-	156,248	374,974
Inventories	12,703	-	-	12,703
Due from other funds	230,549	-	81,965	312,514
Deferred expense	2,672	-	-	2,672
Total assets	\$ 2,124,590	-	790,183	2,914,774
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 533,836	-	71,397	605,233
Due to other funds	1,249,452	-		1,249,452
Deferred revenue	-	-		-
Other liabilities	131,011	-		131,011
Total Liabilities	1,914,299	-	71,397	1,985,696
Fund Balances:				
Restricted:				
Debt service	-	-	4,597	4,597
Street Overlay		-	24,785	24,785
Playground equipment	-	-	102,789	102,789
Assigned:				
Culture and recreation	-	-	644,369	644,369
Public safety	-	-	(100,034)	(100,034)
Economic development and assistance	-	-	42,281	42,281
Unassigned	210,291	-		210,291
Total Fund Balances	210,291	-	718,787	929,078
Total Liabilities and Fund Balances	\$ 2,124,590	-	790,184	2,914,774

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

CITY OF WEST POINT, MISSISSIPPI
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Fund Balances - Total Governmental Funds	\$	929,078
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Amounts reported for governmental activities in Statement of Net Position are different because:

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

Land	\$	238,352	
Buildings and equipment (net of depreciation)		7,277,679	
Infrastructure		5,164,247	
Construction in Progress		156,128	12,836,406

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	\$	(2,781,000)	
Obligations under capital lease		(217,993)	
Notes payable		(286,948)	
Compensated absences		(228,152)	
Pension liability		(9,122,608)	
Accrued interest payable		(31,981)	(12,668,682)

Internal service fund assets and liabilities reported on governmental funds balance sheet		(458,895)
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Net Position of Governmental Funds	\$	637,907
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The accompanying notes to financial statements 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, 2019

	Major Funds		Other	Total
	General	Waverly Road	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues:				
Property taxes	\$ 2,442,107		528,375	2,970,482
Franchise taxes	153,999			153,999
In lieu of taxes	1,257,217			1,257,217
Penalties and interest	79,054			79,054
Licenses and permits	25,186			25,186
Fines and forfeitures	225,488			225,488
Intergovernmental revenues				
Federal revenue	18,969	1,445,088	877,675	2,341,732
State shared:				
Gas tax refund	11,231			11,231
Heavy duty and rail tax	45,472			45,472
Sales tax	2,042,624			2,042,624
Tourism tax	-		303,759	303,759
TVA in lieu	87,848			87,848
General municipal aid	5,639			5,639
Homestead reimbursement	145,802		29,366	175,167
Fire insurance refund	-		66,735	66,735
Liquor Privilege tax	9,975			9,975
EMA county reimbursement	22,177			22,177
State Revenue	0.00		10,548	10,548
Charges for services	1,401,152			1,401,152
Interest income	61,344		4,480	65,824
Miscellaneous revenues	110,995		149,890	260,885
Total Revenues	<u>8,146,276</u>	<u>1,445,088</u>	<u>1,970,828</u>	<u>11,562,193</u>
Expenditures:				
General government	1,427,104		232,676	1,659,779
Public safety				
Police	2,256,166			2,256,166
Fire	1,571,846			1,571,846
EMA	67,329.43		27,208	94,537
Public works				
Administration	505,844			505,844
Highways and streets	1,107,043	1,445,088		2,552,131
Sanitation	470,347			470,347
Cemetary	96.00			96
Culture and recreation	695,587		197,577	893,164
Health and welfare	-		663,964	663,964
Debt service:				
Principal	166,287		549,182	715,469
Interest	11,582		118,867	130,449
Other	-		6,800	6,800
Total Expenditures	<u>8,279,230</u>	<u>1,445,088</u>	<u>1,796,274</u>	<u>11,520,592</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(132,953)</u>	<u>-</u>	<u>174,554</u>	<u>41,601</u>

The accompanying notes to financial statements 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, 2019

	Major Funds		Other	Total
	General	Waverly Road	Governmental	Governmental
	Fund	Fund	Funds	Funds
Other Financing Sources (Uses):				
Proceeds from long-term debt	\$ 222,079			222,079
Operating transfers in	-		21,750	21,750
Operating transfers out	(21,750)			(21,750)
Total Other Financing Sources (Uses)	<u>200,329</u>	<u>-</u>	<u>21,750</u>	<u>222,079</u>
 Net Change in Fund Balances	 <u>67,376</u>	 <u>-</u>	 <u>196,304</u>	 <u>263,680</u>
 Fund Balances:				
July 1, 2018	<u>142,915</u>	<u>-</u>	<u>522,483</u>	<u>665,398</u>
June 30, 2019	<u>\$ 210,291</u>	<u>-</u>	<u>718,787</u>	<u>929,078</u>

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

CITY OF WEST POINT, MISSISSIPPI
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	263,680
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Amounts reported for governmental activities in Statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 275,832	
Depreciation expense	<u>(432,559)</u>	(156,727)

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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Proceeds of loans	(222,079)	
Payments of debt principal	<u>715,469</u>	493,390

Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds:

Change in long-term compensated absences	(6,289)	
Change in unfunded pension liability	(289,000)	
Change in accrued interest payable	<u>1,271</u>	(294,018)

Internal service fund revenues and expenditures reported on governmental funds statement of revenues, expenditures and changes in fund balances		(30,891)
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Change in Net Position of Governmental Funds	\$	<u><u>275,434</u></u>
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The accompanying notes to financial statements are an integral part of these financial statements.

CITY OF WEST POINT, MISSISSIPPI
Statement of Fund Net Position - Proprietary Funds
June 30, 2019

	Business-type Activities			
	Proprietary Funds			
	Electric	Water & Sewer	Total	Internal
	Department	Department	Proprietary	Service
			Funds	Fund
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 3,553,863	2,124,541	5,678,404	-
Accounts receivables, net	1,960,117	-	1,960,117	3,500
Other receivables	48,041	6,428	54,469	-
Prepaid expenses	5,600	-	5,600	-
Inventories	327,056	220,203	547,259	5,772
Due from other funds	90,530	1,701,203	1,791,733	-
Total current assets	5,985,207	4,052,375	10,037,582	9,272
Non-current assets:				
Bond funds: Cash and cash equivalents	23,863	1,791,441	1,815,304	-
Other Investments	21,387	-	21,387	-
Total Non-current assets	45,250	1,791,441	1,836,691	-
Capital assets:				
Land	82,892	870,030	952,922	-
Construction in progress	203,545	351,398	554,943	-
Other capital assets	13,891,477	56,420,575	70,312,052	54,000
Less accumulated depreciation	(9,251,090)	(26,082,113)	(35,333,203)	(54,000)
Total capital assets	4,926,824	31,559,890	36,486,714	-
Total Assets	10,957,281	37,403,706	48,360,987	9,272
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred loss on debt defeasance		40,510	40,510	-
Deferred debt expense	13,965	110,562	124,527	-
Deferred outflows - pensions	201,882	112,804	314,686	-
Total Deferred Outflows of Resources	215,847	263,876	479,723	-
Total Assets and Deferred Outflows of Resources	11,173,128	37,667,582	48,840,710	9,272
<u>LIABILITIES</u>				
Current liabilities:				
Cash overdraft			-	424,101
Accounts payable	789,333	133,332	922,665	27,920
Due to other funds	779,319	60,146	839,465	16,146
Customer deposits	819,429	-	819,429	-
Accrued interest payable	1,910	32,436	34,346	-
Sales tax payable	13,200	-	13,200	-
Other current liabilities	75,105	48,318	123,423	-
Bonds, notes and loans payable	147,454	1,552,145	1,699,599	-
Total current liabilities	2,625,750	1,826,377	4,452,127	468,167

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

CITY OF WEST POINT, MISSISSIPPI
Statement of Fund Net Position - Proprietary Funds
June 30, 2018

	Business-type Activities Proprietary Funds		Total Proprietary Funds	Internal Service Fund
	Electric Department	Water & Sewer Department		
Non-current liabilities:				
Bonds, notes and loans payable	\$ 970,642	14,119,231	15,089,873	-
Unfunded pension liability	2,593,579	1,592,940	4,186,519	-
Total non-current liabilities	3,564,221	15,712,171	19,276,392	-
Total Liabilities	6,189,971	17,538,548	23,728,519	468,167
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Premium on G.O. refunding bonds	-	9,570	9,570	
Deferred inflows - pensions	63,923	127,933	191,856	
Total Deferred Inflows of Resources	63,923	137,503	201,426	-
Total Liabilities and deferred Inflows of Resources	6,253,894	17,676,051	23,929,945	468,167
<u>NET POSITION</u>				
Net investment in capital assets	3,808,728	15,888,498	19,697,226	
Restricted for:				
Debt service	23,863	1,791,441	1,815,304	
Unrestricted (deficit)	1,086,643	2,311,577	3,398,220	(458,895)
Total Net Position	\$ 4,919,234	19,991,516	24,910,750	(458,895)

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

CITY OF WEST POINT, MISSISSIPPI
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities Proprietary Funds		Total Proprietary Funds	Internal Service Fund
	Electric Department	Water & Sewer Department		
<u>OPERATING REVENUES</u>				
Charges for services	\$ 9,928,168	5,879,856	15,808,024	396,472
Total operating revenues	9,928,168	5,879,856	15,808,024	396,472
<u>OPERATING EXPENSES</u>				
Purchased power	7,040,032	-	7,040,032	-
Operating and maintenance	1,542,432	2,970,987	4,513,419	427,363
Depreciation	420,449	1,611,017	2,031,466	-
Miscellaneous	813,633	454,620	1,268,253	-
Total operating expenses	9,816,546	5,036,624	14,853,170	427,363
Operating income (loss)	111,622	843,232	954,854	(30,891)
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest income	54,141	17,625	71,766	-
Interest expense	(26,556)	(385,800)	(412,356)	-
Amortization	(831)	-	(831)	-
Miscellaneous	(138)	-	(138)	-
Total non-operating revenues (expenses)	26,616	(368,175)	(341,559)	-
Change in net position	138,238	475,057	613,295	(30,891)
Net Position, beginning	4,780,996	19,516,459	24,297,455	(428,004)
Net Position, ending	\$ 4,919,234	19,991,516	24,910,750	(458,895)

The accompanying notes to financial statements 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, 2019

	Business-type Activities Proprietary Funds		Total Proprietary Funds	Internal Service Fund
	Electric Department	Water & Sewer Department		
Cash Flows from Operating Activities				
Receipts from customers	\$ 9,928,168	5,879,856	15,808,024	397,648
Payments to suppliers	(7,460,481)	(2,517,057)	(9,977,538)	(285,578)
Payments to employees	(1,066,366)	(577,159)	(1,643,525)	(152,416)
Other receipts (payments)	(813,633)	(454,620)	(1,268,253)	
Net Cash Flows from Operating Activities	587,688	2,331,020	2,918,708	(40,346)
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(82,602)	(161,700)	(244,302)	
Proceeds of borrowing		60,303	60,303	
Increase in cash overdraft		-		40,346
Principal payment on capital debt	(144,200)	(1,592,402)	(1,736,602)	
Interest payment on capital debt	(26,739)	(383,113)	(409,852)	
Other receipts (payments)	-	-	-	
Net Cash Flows from Capital and Related Financing Activities	(253,541)	(2,076,912)	(2,330,453)	40,346
Cash Flows from Investing Activities				
Interest revenue	54,141	17,625	71,766	
Other property and investments	176,650	-	176,650	
Net Cash Flows from Investing Activities	230,791	17,625	248,416	-
Net Change in Cash	564,938	271,733	836,671	-
Cash and Cash Equivalents at Beginning of Year	3,012,788	3,644,249	6,657,037	-
Cash and Cash Equivalents at End of Year	\$ 3,577,726	3,915,982	7,493,708	-
Cash and Cash Equivalents:				
Unrestricted	\$ 3,553,863	2,124,541	5,678,404	-
Restricted	23,863	1,791,441	1,815,304	-
Total	\$ 3,577,726	3,915,982	7,493,708	-

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

CITY OF WEST POINT, MISSISSIPPI
Statement of Fund Net Position -
Fiduciary Funds
June 30, 2019

	Agency Funds
Assets	
Cash and cash equivalents	\$ 25,165
Total Assets	<u>\$ 25,165</u>
Liabilities	
Due to other funds	\$ 15,330
Intergovernmental Payables	<u>9,836</u>
Total Liabilities	<u>\$ 25,165</u>

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

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

a) Financial Reporting Entity

The City of West Point, located in Clay County, Mississippi, was incorporated in 1858 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 is 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 all entities for which the government is considered to be financially accountable. All departments presented have a June 30 year end.

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 City's governing body and a financial burden relationship exists.

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

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.

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

b) Government-wide Financial Statements

Government-wide Financial Statements - The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the City. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the City's non-fiduciary assets and liabilities, with the difference reported as net position. The net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. 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 and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The City reports the following major governmental funds:

General Fund – This fund is used to account for all activities of the general government for which a separate fund has not been established.

Waverly Road Overlay Fund – This fund is used to account for the repaving of Waverly Road from E. Church Hill Road to Railroad Road.

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

The City also reports fiduciary funds (agency funds) which focus on assets and changes in net position.

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

Governmental Funds

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Projects Funds – Capital projects funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Funds – Debt service funds account for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principle and interest at the discretion of the City.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City's enterprise funds consist of: the City of West Point Water and Sewer Department and the City of West Point Electric Department.

Internal Service Funds – Internal service funds are used to account for those operations that provide services to other departments or agencies of the government, on a cost-reimbursement basis.

Fiduciary Funds

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

c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Numerous statutes exist under which the Board of Selectmen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Selectmen, each year at a meeting in June, levies property taxes for the ensuing fiscal year which begins on July 1. Real property taxes become an enforceable lien on January 1 of the year subsequent to that to which the tax applies.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied.

Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The effect of inter-fund activity has been eliminated from the government-wide statements.

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

d) Encumbrances

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

e) Assets, liabilities, deferred outflows/inflows, and net position/fund balance

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City deposits excess funds in the financial institutions selected by the Board of Selectmen. State statutes specify how these depositories are to be selected.

Investments

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

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Receivables are reported net of allowances for uncollectible accounts, where applicable.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical costs or estimated historical costs based on appraisals or deflated current replacement costs. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

are not capitalized. Capital assets are defined by the city as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisitions and construction are reflected as expenditures in the governmental fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statement.

The following schedule details the capitalization thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	n/a
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	500	5-10 years
Furniture and equipment	500	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

8. Compensated Absences

The City has adopted a policy of compensation for accumulated unpaid employee benefits. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

9. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between requisition 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.

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

10. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as non-spendable, restricted, committed, assigned, or unassigned. Following are descriptions of fund classifications used by the city:

Non-spendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used for the specific purposes pursuant to constraints imposed by a formal action of the Board of Selectmen, the City's highest level of decision-making authority. This formal action is a resolution approved by the Board of Selectmen.

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is a residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Board of Selectmen pursuant to authorization established by the City's approved fund balance policy.

Unassigned fund balance is the residual classification for the general fund. This classification represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires 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. Significant estimates include depreciation and net pension liability.

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

g) Environmental Risk for Possible Clean-up from City-owned Facilities

As a distributor of water, sewer, and electricity, there is a possibility that environmental conditions may arise which would require the City and its component units to incur clean-up costs. The likelihood of such an event or the amount of such costs, if any, cannot be determined at this time. However, management does not believe such costs, if any, would materially affect the City's financial position or future cash flows.

h) Economic Dependency

The City depends on financial resources flowing from, or associated with, the State of Mississippi and the collection of local property taxes. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws and appropriations, and the City is reliant on the continuing existence of an adequate local tax base to fund the City's operations.

Note 2 – Cash and Cash Equivalents

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

Deposits. The City must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the city's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-8, 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 Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the City to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (3)m Miss. Code Ann. (1972). This section permits the following types of investments: (1) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (3) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations; not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interest in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects) bond sinking funds (Debt Service Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 2 – Cash and Cash Equivalents and Investments (Continued)

Cash and Cash Equivalents

The carrying amount of the City's deposits with financial institutions at June 30, 2019, reported in the governmental funds and enterprise funds was \$1,524,739 and \$5,678,404, respectively.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the city. As of June 30, 2019, none of the City's bank balance of \$9,236,461 was exposed to custodial credit risk.

Note 3 – Inter-fund Transactions and Balances

The following is a summary of inter-fund balances at June 30, 2019:

	<u>Due From</u>	<u>Due To</u>
<u>Governmental</u>		
Major funds		
General Fund	\$ 230,549	1,233,306
Non-major funds		
Homeland Security Grant Fund	159	
Urban Youth Fund	10,320	
Eshman Avenue Overlay Fund	24,785	
Bond and Interest Fund	46,701	
<u>Total Governmental</u>	\$ 312,514	1,233,306
<u>Proprietary Funds</u>		
West Point Electric Department	90,530	779,319
West Point Water and Sewer Fund	1,701,203	60,146
<u>Total Proprietary Funds</u>	1,791,733	839,465
<u>Internal service funds</u>		
City Maintenance Shop Fund		16,146
<u>Agency funds</u>		
Court clearing fund		15,330
	\$ 2,104,247	2,104,247

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 3 – Interfund Transactions and Balances (Continued)

The amounts due to or due from other funds primarily represent amounts loaned between funds for timing differences between revenues, expenditures and cash balances.

a) **Transfers In/Out:**

	Transfers <u>In</u>	Transfers <u>Out</u>
<u>Governmental</u>		
Major funds		
General Fund	\$	21,750
Non-major funds		
Homeland Security Grant	325	
Airport Improvements	<u>21,425</u>	
<u>Total Governmental</u>	\$ <u>21,750</u>	<u>21,750</u>

b) **Intergovernmental Receivables:**

The following is a summary of intergovernmental receivables at June 30, 2019:

Mississippi Bureau of Revenue	\$ 292,507
Mississippi Department of Transportation	9,479
U.S. Department of Health and Human Services	50,139
U.S. Department of Justice	<u>22,849</u>
	\$ <u>374,974</u>

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 4 – Capital Assets

The following is a summary of capital assets activity for the year ended June 30, 2019:

	Balance 7/1/2018	Additions	Retirements	Balance 6/30/2019
Governmental Activities				
Land	\$ 238,352			238,352
Buildings and equipment	16,196,478	275,833		16,472,311
Less: Accumulated Depreciation - Buildings and equipment	(8,762,072)	(432,559)		(9,194,631)
Infrastructure	5,164,247			5,164,247
Construction in progress	156,128			156,128
Governmental Activities Capital Assets	<u>\$ 12,993,133</u>	<u>(156,726)</u>	<u>-</u>	<u>12,836,407</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 952,922			952,922
Construction in progress	630,438	343,353	(418,848)	554,943
Total Capital Assets Not Being Depreciated	<u>1,583,360</u>	<u>343,353</u>	<u>(418,848)</u>	<u>1,507,865</u>
Depreciable Capital Assets:				
Distribution and collection systems	64,819,918	169,403	(3,496)	64,985,825
Buildings and equipment	5,193,793	150,394	(17,960)	5,326,227
Total Depreciable Capital Assets	70,013,711	319,797	(21,456)	70,312,052
Less: Accumulated Depreciation	(33,323,193)	(2,031,466)	21,456	(35,333,203)
Total Depreciable Capital Assets, Net	<u>36,690,518</u>	<u>(1,711,669)</u>	<u>-</u>	<u>34,978,849</u>
Total Business-type Activities Capital Assets	<u>38,273,878</u>	<u>(1,368,316)</u>	<u>(418,848)</u>	<u>36,486,714</u>
 Total Capital Assets	 <u>\$ 51,267,011</u>	 <u>(1,525,042)</u>	 <u>(418,848)</u>	 <u>49,323,121</u>

Depreciation expense was charged to the following functions:

Governmental Activities	\$ 432,559
Business-type Activities:	
Electric	420,449
Water and Sewer	1,611,017
	<u>\$ 2,464,025</u>

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 5 – Claims and Judgments

Risk Financing

The City finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Note 6 – Long-term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Balance			Balance	Due
	7/1/2018	Additions	Payments	6/30/2019	Within
					One Year
Governmental Activities					
General obligation bonds	\$ 3,233,000		(452,000)	2,781,000	470,000
Capital lease obligation	222,097	49,950	(54,054)	217,917	52,126
Other loans payable	324,234	172,129	(209,415)	286,948	131,286
Compensated absences	221,863	6,289		228,152	
Total Governmental Activities	<u>4,001,194</u>	<u>228,368</u>	<u>(715,469)</u>	<u>3,514,093</u>	<u>653,412</u>
Business-type Activities					
Bonds payable:					
Water and Sewer Department	3,536,535		(532,327)	3,004,208	544,761
Lease obligations:					
Electric Department	1,262,296		(144,215)	1,118,081	147,454
Water and Sewer Department	3,019,043		(265,479)	2,753,564	271,296
Notes payable:					
Water and Sewer Department	10,647,912	60,303	(794,596)	9,913,619	736,088
Total Business-type Activities	<u>18,465,786</u>	<u>60,303</u>	<u>(1,736,617)</u>	<u>16,789,472</u>	<u>1,699,599</u>
Total Government-wide	<u>\$ 22,466,980</u>	<u>288,671</u>	<u>(2,452,086)</u>	<u>20,303,565</u>	<u>2,353,011</u>

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 6 – Long-term Liabilities (Continued)

<u>Governmental Activities:</u>	Issue Date	Maturity Date	Interest Rate	Balance 6/30/2019
General Obligation Bonds:				
2009 Road and Street Bonds	10/01/2009	10/01/2024	4.00–4.25%	\$ 945,000
2010 Refunding Bonds	5/12/2010	12/01/2019	3.75%	225,000
McClure Building Bonds	3/06/2014	2/01/2029	4.125– 4.625%	340,000
2017 Street Bonds	5/15/2017	3/15/2032	3.40%	1,271,000
Total General Obligation Bonds				2,781,000
Capital Lease Obligations:				
Lease purchase - equipment	12/19/2016	8/19/2028	2.21%	139,260
Lease purchase - fire pickup	3/31/2016	3/31/2020	2.17%	5,319
Lease purchase - police auto	9/09/2016	9/12/2019	2.1361%	1,858
Lease purchase - 2 police autos	7/21/2017	8/08/2021	2.36%	33,640
Lease purchase - 2 police autos	8/21/2018	8/21/2021	3.23%	37,916
Total Capital Lease Obligations				217,993
Other Loans Payable:				
Note payable - sweeper truck	10/04/2016	10/01/2020	2.103%	100,058
Note payable - fire rescue truck	12/20/2016	12/01/2020	2.103%	35,112
Lease payable - radios	2/11/2019	12/20/2022	3.162%	151,778
Total Other Loans Payable				286,948
Total Governmental Activities				3,285,941
<u>Business-type Activities:</u>				
Revenue Bonds:				
Waterworks - USDA revenue bonds	6/01/2003	6/01/2035	5.00%	349,207
Waterworks - G.O. refunding bonds	12/15/2011	9/15/2023	2.50–3.50%	2,655,000
Total Revenue Bonds				3,004,207
Lease Obligations:				
Electric department - Equipment lease purchase	12/19/2016	8/19/2028	2.21%	1,118,081
Waterworks - Equipment lease purchase	12/19/2016	8/19/2028	2.21%	2,753,564
Total Lease Obligations				3,871,645
Notes Payable:				
Waterworks - State of MS	4/01/2004	9/01/2023	3.00%	408,735
Waterworks - State of MS	7/05/2005	3/05/2025	1.75%	959,862
Waterworks - State of MS	3/15/2007	11/15/2026	1.75%	331,554
Waterworks - State of MS	11/17/2012	6/17/2032	1.75%	902,183
Waterworks - State of MS	6/09/2014	2/04/2034	1.75%	3,924,681
Waterworks - State of MS	7/22/2013	6/01/2036	2.00%	2,402,074
Waterworks - U.S. Dept. of Agriculture	6/24/2009	4/06/2049	4.125%	602,954
Waterworks - U.S. Dept. of Agriculture	12/15/2016	12/15/2056	1.875%	277,268
Waterworks - U.S. Dept. of Agriculture	2/09/1994	3/06/2033	5.125%	104,309
Total Notes Payable				9,913,620
Total Business-type Activities				16,789,472
Total Government-wide				\$ 20,075,413

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 6 – Long-term Liabilities (Continued)

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

Governmental Activities:

General Obligation Bonds:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 470,000	99,900	569,900
2021	257,000	86,256	343,256
2022	270,000	75,826	345,826
2023	278,000	64,837	342,837
2024	296,000	53,425	349,425
2025-2029	867,000	141,817	1,008,817
2030-2034	343,000	23,562	366,562
Total	\$ <u>2,781,000</u>	<u>545,623</u>	<u>3,326,623</u>

Capital Lease Obligations:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 52,126	4,739	56,865
2021	46,155	3,465	49,620
2022	22,510	2,404	24,914
2023	14,649	2,026	16,675
2024	14,975	1,699	16,674
2025-2029	67,578	3,408	70,910
Total	\$ <u>217,993</u>	<u>17,741</u>	<u>235,658</u>

Other Loans Payable:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 131,286	6,556	137,842
2021	88,533	3,382	91,915
2022	44,401	1,622	46,023
2023	22,728	275	23,003
Total	\$ <u>286,948</u>	<u>11,835</u>	<u>298,783</u>

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 6 – Long-term Liabilities (Continued)

Business-type Activities:

Revenue Bonds, Lease Obligations, and Notes Payable

<u>Year Ending June 30,</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$	1,699,599	370,002	2,069,601
2021		1,723,736	329,192	2,052,928
2022		1,734,496	287,461	2,021,957
2023		1,775,281	244,294	2,019,575
2024		1,597,421	201,933	1,799,354
2025-2029		4,715,059	545,337	5,260,396
2030-2034		2,698,343	221,661	2,920,004
2035-2039		500,830	85,667	586,497
2040-2044		189,037	48,634	237,671
2045-2049		155,670	16,531	172,201
Total	\$	<u>16,789,472</u>	<u>2,350,712</u>	<u>19,140,184</u>

Schedule of annual requirements for each individual revenue bond, lease, and note payable for business-type activities are included in the separate audit reports for the City of West Point Electric Department and the City of West Point Water and Sewer Department.

Legal Debt Margin – The amount of debt—excluding specific exempted debt—that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the last completed assessment for taxation. However, the limitation is increased to 20% whenever a city issues bonds to repair or replace washed out or collapsed bridges on the public roads of the city. As of June 30, 2019 the amount of outstanding debt was equal to 6% of the latest property assessments.

Note 7 – 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.

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 7 – No Commitment Debt (Continued)

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 8 – Homestead Exemption to be recovered from State in subsequent year

The State of Mississippi reimburses municipalities for homestead exemption claims on March 1 and 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 9 – Contingencies

Federal Grants – The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provision for any liability that may result has been recognized in the city's financial statements.

Litigation – The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the City with respect to the various proceedings. However, the City's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

Note 10 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The City 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan (Continued)

2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018 and 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$886,875, \$859,775 and \$820,917, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the City reported a liability of \$13,821,501 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion was 0.083097 percent.

For the year ended June 30, 2019, the City recognized pension expense of \$1,085,157. At June 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 60,592	58,264
Net difference between projected and actual earnings on pension plan investments		274,751
Changes of assumptions	8,154	7,635
Change in proportion percentage	108,906	88,673
City contributions subsequent to the measurement date	886,875	
	<u>\$ 1,064,527</u>	<u>429,323</u>

\$886,875 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan (Continued)

liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,		
2020	\$	125,264
2021		(3,647)
2022		(311,130)
2023		(62,158)
		<hr/>
	\$	(251,671)
		<hr/>

Actuarial assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	27	%	4.60	%
International Equity	18		4.50	
Emerging Markets Equity	4		4.75	
Global	12		4.75	
Fixed Income	18		.75	
Real Assets	10		3.50	
Private Equity	8		5.10	
Emerging Debt	2		2.25	
Cash	1		0.00	
Total	<hr/> 100	<hr/> %		

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that Employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 18,198,949	\$ 13,821,501	\$ 10,183,261

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 11 – Deficit Fund Balance of Individual Funds

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

State Fire Insurance Rebate	\$ 88,976
Safe Routes to School Grant Fund	90
Skate Park Fund	284
Brownfield Grant Fund	789
Ambulance Fund	1,341
Fabricator's Supply Construction Fund	2,499
Homeland Security Grant	9,883
Dunlap Bridge Construction Fund	198

The deficit fund balance is not in violation of state law.

Note 12 – 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 carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three years.

CITY OF WEST POINT, MISSISSIPPI
Notes to Financial Statements

Note 12 – Risk Management (Continued)

Under GASB Statement No. 10, *Accounting and Financial Reporting for Risks Financing and Related Insurance Issues*, a liability for claims must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. As of the date of this audit report, there were no known claims above the amount of coverage purchased for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters at June 30, 2019; therefore, no liability has been accrued at this time.

Note 13 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Subsequent events have been evaluated through August 18, 2021, which is the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require disclosure in the notes to the financial statements.

In March 2020, the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on its business operations. While the Plan expects the COVID-19 crisis to negatively affect its operating results, the related financial impact and duration cannot be reasonable estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEST POINT, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

				Variances	
	Budgeted Amounts		Actual (GAAP Basis)	Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property taxes	\$ 3,850,923	3,850,923	\$ 3,778,377	\$ -	\$ (72,546)
Licenses and permits	25,000	25,000	25,186	-	186
Intergovernmental revenues	2,122,474	2,122,474	2,389,735	-	267,261
Charges for services	1,396,760	1,396,760	1,401,152	-	4,392
Fines and forfeitures	155,000	155,000	225,488	-	70,488
Interest income	35,000	35,000	61,344	-	26,344
Miscellaneous	252,000	252,000	264,994	-	12,994
Total Revenues	7,837,157	7,837,157	8,146,276	-	309,119
Expenditures:					
General government	1,437,560	1,437,560	1,427,104	-	10,456
Public safety	3,635,984	3,635,984	3,895,341	-	(259,357)
Public works	2,198,441	2,198,441	2,083,233	-	115,208
Culture and recreation	214,462	214,462	695,683	-	(481,221)
Debt service:				-	
Principal	163,756	163,756	166,287	-	(2,531)
Interest	5,568	5,568	11,582	-	(6,014)
Total Expenditures	7,655,771	7,655,771	8,279,230	-	(623,459)
Excess (Deficiency) of Revenues					
over (under) Expenditures	181,386	181,386	(132,953)	-	(314,339)
Other Financing Sources (Uses):					
Proceeds from long-term debt	-	-	222,079	-	222,079
Operating transfers in		-	-	-	-
Operating transfers out	-	-	(21,750)	-	(21,750)
Total Other Financing Sources (Uses)			200,329	-	200,329
Net Change in Fund Balances					
	181,386	181,386	67,376	-	(114,010)
Fund Balances:					
July 1, 2018	142,915	142,915	142,915	-	-
June 30, 2019	\$ 324,301	\$ 324,301	\$ 210,291	\$ -	\$ (114,010)

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

CITY OF WEST POINT, MISSISSIPPI
Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.083097%	0.082733%	0.081203%	0.085043%	0.089594%
City's proportionate share of the net pension liability (asset)	\$13,821,501	13,753,033	14,504,883	13,145,971	10,875,072
City's covered-employee payroll	5,458,891	5,301,694	5,076,934	5,194,749	5,855,067
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	253%	259%	286%	253%	186%
Plan fiduciary net position as a percentage of the total pension liability	63%	61%	57%	62%	67%

The amounts presented for the fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

The accompanying notes to Required Supplementary Information are an integral part of this schedule.

CITY OF WEST POINT, MISSISSIPPI
Schedule of the City's Contributions
Last 10 Fiscal Years
PERS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	886,875	859,775	820,917	818,173	922,173
Contributions in relation to the contractually required contribution	886,875	859,775	820,917	818,173	922,173
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Department's covered-employee payroll	5,630,952	5,458,891	5,212,171	5,194,749	5,855,067
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%	15.75%	15.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the Department has only presented information for the years in which information is available.

The accompanying notes to Required Supplementary Information are an integral part of this schedule.

CITY OF WEST POINT, MISSISSIPPI
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Note 1 - Budgetary Comparison Schedule

a) Basis of Presentation

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

b) Budget Amendments and Revisions

The budget is adopted by the Board of Commissioners. Amendments can be made on the approval of the board. A budgetary comparison is presented and is consistent with accounting principles generally accepted in the United States of America.

Note 2 – Pension Schedules

a) Changes in Assumptions

2017 (Measurement Date)

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016 (Measurement Date)

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

b) Changes in Benefit Provisions

2016 (Measurement Date)

- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

c) Method and Assumptions used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment
expense, including inflation	

OTHER SUPPLEMENTAL INFORMATION

CITY OF WEST POINT, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	Award Number	Catalog of Federal Domestic Assistance Number	Federal Expenditures	Passed through to Subrecipients
<u>U.S. Department of Transportation</u>				
Direct Program				
Airport Improvement Grant	3-28-0077-014-	20.106	\$ 211,134	-
Passed through Mississippi	2017			
Department of Transportation				
Highway Planning and	STPD-7973-	20.205	1,445,088	-
Construction	00(005)			
Total U.S. Department of			1,656,222	-
Transportation				
<u>U.S. Department of Health and Human Services</u>				
Direct Program				
Comprehensive Community	1U79SM062455-	93.104	649,541	-
Mental Health Services	01			
Total U.S. Department of			649,541	-
Health and Human Services				
<u>Department of Homeland Security</u>				
Passed through Mississippi				
Emergency Management Agency				
Hazard Mitigation Grant	4429DR-MS-	97.039	18,969	-
Passed through Mississippi Office	4429/4450			
of Homeland Security				
Homeland Security Grant	147HS387T	97.067	17,000	-
Total Department of Homeland			35,969	-
Security				
<u>Total for All Federal Awards</u>			\$ 2,341,732	-

See accompanying notes to schedule of expenditures of federal awards

CITY OF WEST POINT, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the "Schedule") includes the federal award activity of the City of West Point, Mississippi, under programs of the federal government for the year ended June 30, 2019. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Credit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the Schedule presents only a selected portion of the operation of the City of West Point, Mississippi, it is not intended to and does not present the financial position, activities, or cash flows of the City of West Point, Mississippi.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following cost principles contained in Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3 – Indirect Cost

The City of West Point has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF WEST POINT, MISSISSIPPI
Schedule of Surety Bonds for City Officials
For the Year Ended June 30, 2019

<u>Name</u>	<u>Position</u>	<u>Surety Bond #</u>	<u>Amount</u>
Harmon A. (Robbie) Robinson	Mayor	61727772	\$ 50,000
Leta Turner	Selectwoman - Ward 1	106754773	100,000
William Binder	Selectman - Ward 2	61730162	100,000
Ken Poole	Selectman - Ward 3	106754774	100,000
Keith McBrayer	Selectman - Ward 4	60010897	100,000
Jasper Pittman	Selectman - Ward 5	106754775	100,000
Randy Jones	City Administrator	104897977	50,000
Eddie Longstreet	City Clerk	106853586	50,000
Mary Shannon	City Accountant	105823134	50,000
Dorothy Ryland	Deputy Clerk	3009444	50,000
Rita Mattix	Deputy Clerk	3009442	50,000
Avery Cook	Police Chief	106815911	50,000

CITY OF WEST POINT, MISSISSIPPI
SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Assessed Valuation</u>	<u>Municipal</u>	<u>School</u>		
Realty	\$ 68,304,406	41,011,637		
Personal	12,765,221	1,891,264		
Personal-auto	11,385,337	14,681,846		
Utilities	1,370,513	7,754,124		
Total Municipal at 92.55 Mills	93,825,477		\$	8,038,433
Total School at 55.50 Mills		65,338,871		4,130,147
<u>Collections Adjustments:</u>				
Add: Homestead Reimbursement		383,985		
Prior year tax collection		19,604		
Special tax		4,500		
Interest and Penalties		119,462		527,551
Less: Regular Homestead Exemptions		(278,262)		
Additional Homestead Exemptions		(1,082,587)		(1,360,849)
Total to be Accounted For			\$	11,335,282

<u>Collection Credits to Funds:</u>	<u>Taxes</u>	<u>Interest & Penalties</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
Municipal General Fund	\$ 2,442,107	79,054	145,802	\$ 2,666,962
City Bond & Interest	528,375	-	29,366	557,741
Library	103,738	-	6,199	109,937
School District Maintenance	7,342,418	40,881	193,491	7,576,790
School Debt Service	330,084	-	9,127	339,211
				-
Total	\$ 10,746,722	119,935	383,985	11,250,641

<u>Balance Represented By:</u>				
Unpaid: Realty		\$	16,966	
Personal			54,418	
Struck to City			9,651	
Utilities			3,836	
Unaccounted for (oversettled)			(230)	84,641
Total Accounted For			\$	11,335,282

COMPLIANCE SECTION



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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, the 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, 2019, and the related notes to financial statements, which collectively comprise the City of West Point, Mississippi's basic financial statements, and have issued our report thereon dated August 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of West Point, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Point, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Point, Mississippi's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with government.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-01, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Point, Mississippi's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

West Point, Mississippi
August 18, 2021

Watkins Ward and Stafford, P.C.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of West Point, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of West Point, Mississippi's major federal programs for the year ended June 30, 2019. The City of West Point, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of federal awards.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of West Point, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of West Point, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of West Point, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Reports on Internal Control over Compliance

Management of the City of West Point, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of West Point, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of West Point, Mississippi's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

West Point, Mississippi
August 18, 2021

Watkins Ward and Stafford, P.C.



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

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

We have audited, in accordance with the 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, 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, 2019, and the related notes to financial statements, which collectively comprise the City of West Point, Mississippi's basic financial statements, and have issued our report thereon dated August 18, 2021.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

This report is intended solely for the information and use of the city's board of selectmen and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

West Point, Mississippi
August 18, 2021

Watkins Ward and Stafford, P.C.

CITY OF WEST POINT, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Section I: Summary of Auditors' Report

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | None Reported |
| | b. Significant deficiency(ies) identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | | | | | |
|---------------------|--|---------------------|---|--------|--|--|
| 4. | Internal control over major programs: | | | | | |
| | a. Material weakness (es) identified? | No | | | | |
| | b. Significant deficiency (ies) identified? | None reported | | | | |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified | | | | |
| 6. | Any audit findings disclosed that are required to be reported in accordance With Part 200.516 of the Uniform Guidance? | No | | | | |
| 7. | Identification of major programs: | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="text-align: left;"><u>CFDA Numbers</u></td> <td style="text-align: left;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td style="height: 20px;">20.205</td> <td>Department of Transportation – Highway Planning and Construction</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 20.205 | Department of Transportation – Highway Planning and Construction | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | | |
| 20.205 | Department of Transportation – Highway Planning and Construction | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | |
| 9. | Auditee qualified as a low-risk auditee? | No | | | | |

**CITY OF WEST POINT, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019**

Section II: Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Business-type Activities

Significant Deficiency not considered to be a Material Weakness

19-01 Statement of Condition

Employee time cards lacked proper supervisor approval

Criteria

The Water and Sewer Department is responsible for implementing, maintaining, and utilizing internal controls over payroll processing to insure completeness and accuracy of payroll expense. Per City of West Point personnel policies and procedures, supervisory personnel should submit all applicable attendance and payroll reports at the proper time, indicating number of hours worked as approved by the supervisor evidenced by initials and date approved.

Effect

Since employees' time is allocated to both the Electric Department and the Water and Sewer Department, both departments' payroll expense could be overstated, due to employees being paid for hours not worked.

Cause

Employees were paid based on time cards lacking evidence of supervisor's approval.

Recommendation

The Water and Sewer Department should insure that time cards are properly approved as evidenced by supervisor's initials and date.

Response

The Water and Sewer Department will utilize and monitor internal controls in place to insure completeness and accuracy of payroll data including proper supervisor approval of all time cards.

Section III: Federal Award Findings and Questioned Costs

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

CITY OF WEST POINT, MISSISSIPPI
Status of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Prior year audit report contained no findings or questioned costs.