West Point City

Annual Financial Statements

With Auditors' Report Thereon

For the Year Ended June 30, 2017

WEST POINT
UTAH

West Point City
Table of Contents

Independent Auditors' Report 1
Management's Discussion and Analysis 5
Basic Financial Statements
Government-wide Financial Statements
Statement of Net Position 12
Statement of Activities 13

Fund Financial Statements
Balance Sheet - Governmental Funds 14
Reconciliation of the Balance Sheet to Governmental Funds To the Statement of Net Position 15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities 17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund 18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue Fund 20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - CDRA 21
Statement of Net Position - Proprietary Funds 22
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds 23
Statement of Cash Flows - Proprietary Funds 24
Notes to Financial Statements 26

Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability 53
Schedule of Contributions 54
Notes to Required Supplemental Information 55

Supplementary Information
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Projects 57
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Debt Service 58
Statement of Revenues, Expenditures, and Changes in Fund Balances - Prior Year Comparative - General Fund 59

Other Reports
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* 63
Independent Auditors' Report in Accordance with the *State Compliance Audit Guide* 65

Ulrich & Associates, PC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the City Council
West Point City, Utah

Report on the Financial Statements

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 West Point City as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 auditor considers 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 West Point City as of June 30, 2017, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue fund for the year then ended in conformity 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, pension related schedules, and budgetary comparison information, as listed in the table of contents, 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 information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Point City's basic financial statements. The prior year comparative general fund information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budget to actual statements on major capital projects, budget to actual statements on major debt service funds, and prior year comparative general fund information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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 standards generally accepted in the United States of America. In our opinion, the information 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 November 30, 2017 on our consideration of West Point City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 West Point City's internal control over financial reporting and compliance.

Ulrich & Associates, P.C.

Ogden, UT
November 30, 2017

This page intentionally left blank.

As management of West Point City, we offer readers of the West Point City financial statements this narrative overview and analysis of the financial activities of West Point City for the fiscal year ended June 30, 2017.

Financial Highlights

- The City's total net position of $38,670,628 is made up of $29,631,458 in capital assets and other net position of $9,039,169. Of this amount, $6,166,895 may be used to meet the ongoing obligations of the City, while $2,872,274 is restricted for specific purposes.
- The City’s net position increased by $2,715,320, or 7.55% ($35,955,307 to $38,670,628).
- The City's governmental funds reported a combined ending fund balance of $5,078,953, an increase of $796,806 from the prior year. The increase is primarily the result of revenues being higher than expected.
- In the proprietary funds, the total net position increased by $778,378 during the fiscal year.

Reporting the City As a Whole

This discussion and analysis is intended to serve as an introduction to West Point City's basic financial statements. West Point City's basic financial statements are comprised of three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

The statements of net position present information on all of West Point 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 West Point City is improving or deteriorating. However, other non-financial factors should also be considered.

The statement of activities presents information showing how the City's net position changed during the fiscal year reported. 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 all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of West Point City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on the pages directly following this report.

Reporting the City's Most Significant Funds

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. West Point City also 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 - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these 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 other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps users 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 included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the general fund, special revenue fund, capital projects fund, debt service fund, and the CDRA fund.

Proprietary funds - West Point City maintains three proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. West Point City uses an enterprise funds to account for its waste, water, and storm water utilities.

As determined by generally accepted accounting principles, the utility enterprise funds meet the criteria of major fund classification.

Government-wide Financial Analysis

Net Position, over time, is intended to serve as an indicator of a government's financial position. In the case of West Point City, assets and deferred outflows exceeded liabilities and deferred inflows by $38,670,628, an increase of $2,715,322 over the prior year. By far, the largest portion of West Point City's net position is its investment in capital assets (e.g., land, buildings, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

	Governmental Activities		Business-Type Activities	
	2016	2017	2016	2017
Assets				
Current and other assets	$ 6,215,300	5,948,194	4,195,498	4,624,071
Capital assets	21,445,338	22,414,638	8,425,320	8,760,820
Net pension asset	16	-	45	-
Total assets	27,660,654	28,362,832	12,620,863	13,384,891
Deferred Outflows				
Related to pensions	148,340	181,099	78,198	93,194
Total deferred outflows	148,340	181,099	78,198	93,194
Liabilities				
Long-term debt outstanding	1,544,000	1,598,124	-	-
Other liabilities	1,788,223	425,169	331,641	307,032
Net pension liability	283,697	323,845	157,135	175,513
Total Liabilities	3,615,920	2,347,138	488,776	482,545
Deferred Inflows				
Unavailable revenue- property taxes	400,433	452,182	-	-
Relating to pensions	30,432	45,458	17,187	24,065
Total Deferred Inflows	430,865	497,640	17,187	24,065
Net Position				
Net investment in capital assets	17,451,989	20,870,638	8,425,320	8,760,820
Restricted	1,845,407	1,957,157	921,318	915,117
Unrestricted	4,464,813	2,871,357	2,846,460	3,295,538
Total net position	$ 23,762,209	$ 25,699,153	$ 12,193,098	$ 12,971,475

Changes in Net Position

	Governmental Activities		Business-Type Activities	
	2016	2017	2016	2017
Revenues				
Program revenues				
Charges for services	$ 348,298	305,503	3,228,292	3,371,605
Operating grants & contributions	296,882	422,633	-	-
Capital grants & contributions	4,267,472	1,013,991	523,082	485,748
General revenues				
Property taxes	448,704	451,863	-	-
General sales & use tax	1,098,180	1,380,312	-	-
Energy & telecom tax	499,182	524,353	-	-
Loss on sale of capital assets	-	(1,277)	-	-
Impact Fees	317,654	280,396	54,343	51,627
Interest income	26,186	46,483	20,487	37,347
Transfers/Misc.	-	-	-	-
Total revenues	7,302,558	4,424,257	3,826,204	3,946,327
Expenses				
General government	1,905,788	511,787	-	-
Public safety/court	368,910	388,223	-	-
Highways/public works	1,092,523	957,132	-	-
Parks & recreation	47,200	579,278	-	-
Interest long-term debt	117,097	50,894	-	-
Waste utility	-	-	1,422,557	1,534,968
Water utility	-	-	1,351,958	1,454,039
Storm water utility	-	-	178,284	178,942
Total expenses	3,531,518	2,487,314	2,952,799	3,167,949
Increase (decrease) in net position	3,771,040	1,936,944	873,405	778,378
Net position beginning of year	19,991,169	23,762,209	11,319,692	12,193,097
Net position end of year	$ 23,762,209	$ 25,699,153	$ 12,193,097	$ 12,971,475

Financial Analysis of Governmental Funds

The focus of City governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2017, the City's general fund reported a fund balance of $714,361. This represents an increase of $120,615 from last year's ending balance. The transfer from the General Fund to the Capital Projects Fund was $450,000.

The general fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the general fund and represent 76% of total general fund revenues, which is consistent with prior years. The largest element of tax revenue is sales tax. Sales tax is 57%, property tax is 20%, and energy & franchise tax is 23% of general fund tax revenue.

Licenses and Permits revenue in the General Fund is up 6% compared to Fiscal Year 2016.

General Fund Budget Amendments

During Fiscal Year 2017, General Fund budgeted expenditures were amended from an original budget of $3,295,098 to a final budget of $3,462,395 an increase of $167,297. The budget increase was approved by the City Council following a public hearing.

Capital Asset and Debt Administration

Capital Assets

West Point City continues to invest in infrastructure and improvements. Capital assets, net of accumulated depreciation, in governmental activities increased by $969,300. Capital assets, net of accumulated depreciation, in business-type activities increased by $335,500.

West Point City's Capital Assets

	Government Activities 2017	Business-Type Activities 2017
Capital Assets (net of accumulated depreciation)		
Land	$ 3,924,790	$ 158,040
Construction in progress	-	58,833
Buildings	1,189,535	31,349
Improvements	2,084,875	8,443,272
Machinery and equipment	304,646	69,326
Infrastructure	14,910,793	-
Total	$ 22,414,638	$ 8,760,820
Total FY2016	$ 21,445,338	$ 8,425,320
Increase	$ 969,300	$ 335,500

Additional information on the City's capital assets can be found in the footnotes of this report.

Long-term Debt

West Point City issued revenue bonds on June 30, 2016 for $1,136,000. On June 30, 2017, the City had total bonded debt outstanding of $1,544,000.

West Point City's Long-Term Debt

	Government Activities 2017
Excise tax revenue bonds	$ 1,544,000
Net Pension Liability	499,358
Compensated absences	54,124
	$ 2,097,482

The City's total long-term debt decreased by $136,893 during the fiscal year.

Additional information on the outstanding debt obligations of the City can be found in the footnotes of this report.

BASIC FINANCIAL STATEMENTS

West Point City
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 2,993,228	4,320,566	7,313,794
Restricted cash and cash equivalents	1,957,157	-	1,957,157
Accounts receivable - net	885,910	298,424	1,184,334
Prepaid expenses	111,899	5,081	116,980
Capital assets (net of accumulated depreciation)			
Land	3,924,790	158,040	4,082,830
Construction in progress	-	58,833	58,833
Buildings	1,189,535	31,349	1,220,884
Improvements	2,084,875	8,443,272	10,528,147
Machinery and equipment	304,646	69,326	373,972
Infrastructure	14,910,793	-	14,910,793
Net pension asset	-	-	-
Total assets	28,362,832	13,384,891	41,747,723
Deferred Outflows of Resources			
Deferred outflows relating to pensions	181,099	93,194	274,293
Total deferred outflows of resources	181,099	93,194	274,293
Liabilities			
Accounts payable and accrued liabilities	81,425	307,032	388,457
Other current liabilities	343,744	-	343,744
Noncurrent liabilities			
Due within one year	249,124	-	249,124
Due in more than one year	1,349,000	-	1,349,000
Net pension liability	323,845	175,513	499,358
Total liabilities	2,347,138	482,545	2,829,683
Deferred Inflows of Resources			
Unavailable revenue- property taxes	452,182	-	452,182
Deferred inflows relating to pensions	45,458	24,065	69,523
Total deferred inflows of resources	497,640	24,065	521,705
Net Position			
Net invested in capital assets	20,870,638	8,760,820	29,631,458
Restricted for impact fees	860,988	915,117	1,776,105
Restricted for debt service	111,579	-	111,579
Restricted for Class C road	984,590	-	984,590
Unrestricted	2,871,357	3,295,538	6,166,895
Total net position	$ 25,699,153	12,971,475	38,670,627

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

West Point City
Statement of Activities
For the Year Ended June 30, 2017

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues & Changes in Net Position, Primary Government: Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	$ 511,787	210,513	-	-	$ (301,274)		(301,274)
Public safety	388,223	-	-	-	(388,223)		(388,223)
Streets and public works	957,132	-	422,633	1,013,991	479,492		479,492
Parks and recreation	579,278	94,990	-	-	(484,288)		(484,288)
Interest on long-term debt	50,894	-	-	-	(50,894)		(50,894)
Total governmental activities	2,487,314	305,503	422,633	1,013,991	(745,187)		(745,187)
Business-type activities							
Waste utility	1,534,968	1,633,091	-	134,209		232,332	232,332
Water utility	1,454,039	1,549,326	-	119,268		214,555	214,555
Storm water utility	178,942	189,188	-	232,271		242,517	242,517
Total business-type activities	3,167,949	3,371,605	-	485,748		689,404	689,404
Total primary government	$ 5,655,263	3,677,108	422,633	1,499,739	(745,187)	689,404	(55,783)
		General revenues					
		Property taxes			451,863	-	451,863
		General sales and use tax			1,380,312	-	1,380,312
		Energy and franchise tax			524,353	-	524,353
		Loss on sale of capital assets			(1,277)	-	(1,277)
		Impact fees			280,396	51,627	332,023
		Net interest earnings (expense)			46,483	37,347	83,830
		Total general revenues			2,682,130	88,974	2,771,104
		Change in net position			1,936,944	778,378	2,715,322
		Net position - beginning			23,762,209	12,193,097	35,955,306
		Net position - ending			$ 25,699,153	12,971,475	38,670,628

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

West Point City
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	CDRA Fund	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 463,566	120,516	2,256,975	-	152,171	2,993,228
Restricted cash and cash equivalents	-	1,845,578	-	111,579	-	1,957,157
Receivables						
Property, sales, & energy tax	279,233	-	-	-	-	279,233
Class C roads	95,476	-	-	-	-	95,476
Telecommunications	6,749	-	-	-	-	6,749
Grants	-	52,271	-	-	-	52,271
Due from other funds	156,000	-	-	-	-	156,000
Deferred property taxes	452,182	-	-	-	-	452,182
Prepaid expense	111,899	-	-	-	-	111,899
Total assets	$ 1,565,104	2,018,365	2,256,975	111,579	152,171	6,104,194
Liabilities						
Liabilities						
Accounts payable	$ 54,819	10,758	7,668	-	72	73,317
Accrued liabilities	343,744	-	-	-	-	343,744
Due to other funds	-	-	-	-	156,000	156,000
Total liabilities	398,563	10,758	7,668	-	156,072	573,061
Deferred Inflows of Resources						
Unavailable revenue- property taxes	452,182	-	-	-	-	452,182
Total deferred inflows of resources	452,182	-	-	-	-	452,182
Fund Balances						
Nonspendable	111,899	-	-	-	-	111,899
Restricted						
Class C roads	-	984,590	-	-	-	984,590
Impact fees	-	860,988	-	-	-	860,988
Debt service	-	-	-	111,579		111,579
Committed	-	-	2,249,307	-	-	2,249,307
Assigned	-	162,029	-	-	-	162,029
Unassigned	602,460	-	-	-	(3,901)	598,559
Total fund balances	714,359	2,007,607	2,249,307	111,579	(3,901)	5,078,951
Total liabilities, deferred inflows, and fund balances	$ 1,565,104	2,018,365	2,256,975	111,579	152,171	6,104,194

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

West Point City

Reconciliation of the Balance Sheet to Governmental Funds To the Statement of Net Position

June 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances - governmental fund types		$ 5,078,951
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of capital assets	27,085,726	
Accumulated depreciation	(4,671,056)	
		22,414,670
Net pension assets are not financial resources and, therefore, are not reported in the funds.		-
Deferred outflows of resources, a consumption to net position that applies to future period, is not shown in the fund statements.		181,099
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund statements.		(323,845)
Deferred inflows of resources, pension related, is a liability that relates to future periods and, therefore, is not included in the fund statements.		(45,458)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The detail is as follows:		
Bond interest payable	(8,140)	
Bonds payable	(1,544,000)	
Compensated absences	(54,124)	
		(1,606,264)
Net position of government activities		$ 25,699,153

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

West Point City

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	CDRA Fund	Total Governmental Funds
Revenues						
Taxes	$ 2,267,797	88,731	-	-	-	2,356,528
Licenses and permits	128,110	-	-	-	-	128,110
Charges for services	136,425	-	-	-	-	136,425
Impact fees	-	280,396	-	-	-	280,396
Intergovernmental	422,633	-	-	-	-	422,633
Grants	-	533,676	-	-	-	533,676
Interest	8,817	16,726	14,061	1,007	5,872	46,483
Miscellaneous revenue	8,778	-	32,190	-	-	40,968
Total revenues	2,972,560	919,529	46,251	1,007	5,872	3,945,219
Expenditures						
Current						
General government	669,276	-	-	-	84	669,360
Public safety	387,309	-	-	-	-	387,309
Streets and public works	280,097	899,495	-	-	-	1,179,592
Parks and recreation	399,330	201,770	-	-	-	601,100
Capital outlay	-	-	68,308	-	-	68,308
Debt service						
Principal retirement	-	-	-	96,000	98,000	194,000
Interest and fiscal charges	-	-	-	11,020	37,724	48,744
Total expenditures	1,736,012	1,101,265	68,308	107,020	135,808	3,148,413
Excess revenues over (under) expenditures	1,236,548	(181,736)	(22,057)	(106,013)	(129,936)	796,806
Other financing sources (uses)						
Transfers in	-	422,633	450,000	107,300	136,000	1,115,933
Transfers (out)	(1,115,933)	-	-	-	-	(1,115,933)
Total other financing sources and uses	(1,115,933)	422,633	450,000	107,300	136,000	-
Net change in fund balances	120,615	240,897	427,943	1,287	6,064	796,806
Fund balance - beginning of year	593,746	1,766,710	1,821,364	110,292	(9,965)	4,282,147
Fund balance - end of year	$ 714,361	2,007,607	2,249,307	111,579	(3,901)	5,078,953

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

West Point City

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities

For the Year Ended June 30, 2017

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

Net changes in fund balances - total governmental funds		$ 796,806
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlay	976,608	
Depreciation expense	(486,347)	
		490,261
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.		(1,277)
Revenues related to contribution of capital assets in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		480,315
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, does not effect net position. This is the net effect of differences in the treatment of long-term debt and related items.		
Issuance of long-term debt	-	
Retirement of long-term debt	194,000	
		194,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	1,419	
Accrued interest	(2,150)	
Pension benefit expense	(22,431)	
		(23,162)
Change in net position of governmental activities		$ 1,936,943

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

West Point City

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes				
Property tax - real estate	$ 400,443	400,443	414,248	13,805
Property tax - vehicles	35,000	35,000	37,615	2,615
Sales and use taxes	1,106,000	1,106,000	1,291,581	185,581
Energy and franchise taxes	458,000	458,000	524,353	66,353
Total taxes	1,999,443	1,999,443	2,267,797	268,354
Licenses and permits				
Business licenses	12,000	12,000	12,298	298
Building permits	50,475	50,475	115,812	65,337
Total licenses and permits	62,475	62,475	128,110	65,635
Intergovernmental				
Class C roads	343,300	343,300	422,633	79,333
Total intergovernmental revenue	343,300	343,300	422,633	79,333
Charges for services				
Zoning and subdivision fees	7,000	7,000	6,610	(390)
Recreation fees	85,000	85,000	94,990	9,990
Cemetery	11,000	11,000	14,800	3,800
Miscellaneous	31,500	31,500	20,025	(11,475)
Total charges for services	134,500	134,500	136,425	1,925
Miscellaneous				
Donations	-	-	2,810	2,810
Miscellaneous	-	-	5,968	5,968
Interest	2,000	2,000	8,817	6,817
Total miscellaneous	2,000	2,000	17,595	15,595
Total revenues	$ 2,541,718	2,541,718	2,972,560	430,842

West Point City

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Expenditures				
General government				
Mayor and council	$ 57,828	57,828	55,010	2,818
Finance	222,999	224,999	203,702	21,297
Administrative	481,203	481,203	410,564	70,639
Total general government	762,030	764,030	669,276	94,754
Public safety				
Public safety	215,275	218,826	156,938	61,888
Planning and development	266,387	266,387	230,371	36,016
Total public safety	481,662	485,213	387,309	97,904
Streets and public works				
Public works	358,276	361,276	280,097	81,179
Total streets and public works	358,276	361,276	280,097	81,179
Parks and recreation				
Parks and cemetery	195,297	195,297	146,023	49,274
Recreation	247,233	269,979	253,307	16,672
Total parks and recreation	442,530	465,276	399,330	65,946
Total expenditures	2,044,498	2,075,795	1,736,012	339,783
Excess revenues over (under) expenditures	497,220	465,923	1,236,548	770,625
Other financing sources (uses)				
Transfers (out)	(1,250,600)	(1,386,600)	(1,115,933)	270,667
Total other financing sources and uses	(1,250,600)	(1,386,600)	(1,115,933)	270,667
Net change in fund balance	(753,380)	(920,677)	120,615	1,041,292
Fund balances - beginning of year	593,746	593,746	593,746	-
Fund balances - end of year	$ (159,634)	(326,931)	714,361	1,041,292

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

West Point City

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Impact fees	$ 182,614	182,614	280,396	97,782
Grants	965,646	965,646	533,676	(431,970)
Sales and use taxes	88,000	88,000	88,731	731
Interest income	-	-	16,726	16,726
Total revenues	1,236,260	1,236,260	919,529	(316,731)
Expenditures				
Class C road expenditures	781,767	796,767	359,856	436,911
Streets and public works	646,663	646,663	539,639	107,024
Intergovernmental	84,867	84,867	93,808	(8,941)
Parks and recreation	143,248	143,248	107,962	35,286
Total expenditures	1,656,545	1,671,545	1,101,265	570,280
Excess revenues over (under) expenditures	(420,285)	(435,285)	(181,736)	253,549
Other financing sources (uses)				
Transfers in	343,300	343,300	422,633	79,333
Total other financing sources and uses	343,300	343,300	422,633	79,333
Net change in fund balance	(76,985)	(91,985)	240,897	332,882
Fund balances - beginning of year	1,766,710	1,766,710	1,766,710	-
Fund balances - end of year	$ 1,689,725	1,674,725	2,007,607	332,882

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

West Point City

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
CDRA Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Interest income	$ -	-	5,872	5,872
Total revenues	-	-	5,872	5,872
Expenditures				
CDRA:				
Administration	20,000	20,000	84	19,916
Debt Service:				
Principal retirement	98,000	98,000	98,000	-
Interest	-	38,000	37,724	276
Total expenditures	118,000	156,000	135,808	20,192
Excess revenues over (under) expenditures	(118,000)	(156,000)	(129,936)	26,064
Other financing sources (uses)				
Transfers in (out)	-	136,000	136,000	-
Total other financing sources and uses	-	136,000	136,000	-
Net change in fund balance	(118,000)	(20,000)	6,064	26,064
Fund balances - beginning of year	(9,965)	(9,965)	(9,965)	-
Fund balances - end of year	$ (127,965)	(29,965)	(3,901)	26,064

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

West Point City
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities - Enterprise Funds			
	Waste Utility	Water Utility	Storm Utility	Total
Assets				
Current assets				
Cash and cash equivalents	$ 1,171,626	1,745,436	1,403,504	4,320,566
Accounts receivable - net	154,719	122,947	20,758	298,424
Prepaid expenses	2,242	2,092	747	5,081
Total current assets	1,328,587	1,870,475	1,425,009	4,624,071
Noncurrent assets				
Land, equipment, buildings, and improvements	3,860,452	4,040,611	3,791,048	11,692,111
Less: Accumulated depreciation	(1,423,486)	(903,046)	(604,759)	(2,931,291)
Net pension asset	-	-	-	-
Total noncurrent assets	2,436,966	3,137,565	3,186,289	8,760,820
Total assets	3,765,553	5,008,040	4,611,298	13,384,891
Deferred Outflows of Resources				
Deferred outflows related to pensions	37,367	40,307	15,520	93,194
Total deferred outflows of resources	37,367	40,307	15,520	93,194
Liabilities				
Current liabilities				
Accounts payable	122,888	132,425	296	255,609
Accrued liabilities	19,011	20,954	11,458	51,423
Total current liabilities	141,899	153,379	11,754	307,032
Noncurrent liabilities				
Net pension liability	69,946	73,698	31,869	175,513
Total noncurrent liabilities	69,946	73,698	31,869	175,513
Total liabilities	211,845	227,077	43,623	482,545
Deferred Inflows of Resources				
Deferred inflows related to pensions	9,543	10,156	4,366	24,065
Total deferred inflows of resources	9,543	10,156	4,366	24,065
Net Position				
Net invested in capital assets	2,436,966	3,137,565	3,186,289	8,760,820
Restricted - impact fees	153,571	159,145	602,401	915,117
Unrestricted	990,995	1,514,404	790,139	3,295,538
Total net position	$ 3,581,532	4,811,114	4,578,829	12,971,475

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

West Point City

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			
	Waste Utility	Water Utility	Storm Utility	Total
Operating Revenues				
Charges for services	$ 1,611,597	1,522,626	187,329	3,321,552
Connections, penalties, and other fees	16,734	26,293	1,859	44,886
Other income	4,760	407	-	5,167
Total operating revenues	1,633,091	1,549,326	189,188	3,371,605
Operating Expenses				
Personnel services	204,047	234,936	85,511	524,494
Contractual services	1,201,848	834,426	9,651	2,045,925
Maintenance and supplies	38,373	302,714	11,020	352,107
Depreciation and amortization	90,700	81,963	72,760	245,423
Total operating expenses	1,534,968	1,454,039	178,942	3,167,949
Operating income (loss)	98,123	95,287	10,246	203,656
Nonoperating Revenues (Expenses)				
Interest revenue	9,932	14,825	12,590	37,347
Impact fees	6,285	9,902	35,440	51,627
Developer contributions	134,209	119,268	232,271	485,748
Total nonoperating revenues (expenses)	150,426	143,995	280,301	574,722
Change in net position	248,549	239,282	290,547	778,378
Total net position - beginning	3,332,983	4,571,832	4,288,282	12,193,097
Total net position - ending	$ 3,581,532	4,811,114	4,578,829	12,971,475

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

West Point City
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			
	Waste Utility	Water Utility	Storm Utility	Total
Cash flows from operating activities				
Receipts from customers	$ 1,615,298	1,549,014	185,946	3,350,258
Payments to suppliers	(1,273,146)	(1,129,931)	(24,645)	(2,427,722)
Payments to employees	(199,998)	(230,331)	(83,860)	(514,189)
Net cash provided (used) by operating activities	142,154	188,752	77,441	408,347
Cash flows from noncapital financing activities				
Impact fees	6,285	9,902	35,440	51,627
Net cash provided (used) by noncapital financing activities	6,285	9,902	35,440	51,627
Cash flows from capital and related financing activities				
Purchases of capital assets	(4,951)	(63,784)	(26,441)	(95,176)
Net cash provided (used) by capital and related financing activities	(4,951)	(63,784)	(26,441)	(95,176)
Cash flows from investing activities				
Interest and dividends received	9,932	14,825	12,590	37,347
Net cash provided (used) by investing activities	9,932	14,825	12,590	37,347
Net increase (decrease) in cash and cash equivalents	153,420	149,695	99,030	402,145
Cash and cash equivalents - beginning	1,018,206	1,595,740	1,304,475	3,918,421
Cash and cash equivalents - ending	$ 1,171,626	1,745,435	1,403,505	4,320,566
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	$ 98,123	95,287	10,246	203,656
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	90,700	81,963	72,760	245,423
(Increase) decrease in accounts receivable	(17,793)	(312)	(3,242)	(21,347)
(Increase) decrease in prepaid expenses	(2,242)	(2,092)	(747)	(5,081)
(Increase) decrease in net pension asset	16	10	19	45
(Increase) decrease in deferred outflows	(5,896)	(6,715)	(2,385)	(14,996)
Increase (decrease) in accounts payable	(34,339)	3,702	(8,590)	(39,227)
Increase (decrease) in net pension liability	7,225	8,230	2,923	18,378
Increase (decrease) in deferred inflows	2,704	3,080	1,094	6,878
Increase (decrease) in accrued liabilities	3,656	5,599	5,363	14,618
Total adjustments	44,031	93,465	67,195	204,691
Net cash provided (used) by operating activities	$ 142,154	188,752	77,441	408,347
Noncash capital and financing activities:				
Contribution of capital assets from private developers	$ 134,209	119,268	232,271	485,748

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

West Point City (the City) was incorporated in 1935. The City operates under a manager/council form of government and provides the following services as authorized by its charter: public safety, streets and highways, public utilities, parks and recreation, and general administrative services. The financial statements of West Point City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Reporting entity

The City is a municipal corporation governed by an elected mayor and a five member council. The accompanying financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended component units. The following entities are blended in the accompanying basic financial statements:

West Point City Redevelopment Agency (CRDA)

Blending means that component unit balances and transactions are combined with balances and transactions of the primary government. Although legally separate from the City, the above component unit is blended because they are governed by boards comprised of the City council members. The City retains fiscal responsibility for this entity. This entity is reported as a special revenue fund.

Description of Government-wide and fund financial statements

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

Note 1 - Summary of Significant Accounting Policies - continued

Basis of presentation - government-wide financial statements

While separate government-wide and fund statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are: 1) reasonable allocation of costs where the amounts are reasonably equivalent in value to the interfund services provided and 2) other charges between the government's General Fund and utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of presentation - fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue fund* is used to account for the proceeds of specific revenue sources, impact fees, that are legally restricted for the construction and maintenance of infrastructure assets of the City.

The *capital projects fund* is used to account for financial resources used in the acquisition and construction of major capital improvements.

The *debt service fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs (other than those of the proprietary funds).

The *CDRA fund* is used to account for redevelopment agency transactions conducted by the City, including property acquisition, site improvements, preparation, cost, installation of public improvements, and administration cost.

Note 1 - Summary of Significant Accounting Policies - continued

The City reports the following major enterprise funds:

The *waste utility fund* accounts for the operations of the City's sewer system.

The *water utility fund* accounts for the operations of the City's water system.

The *storm water utility fund* accounts for the operations of the City's storm drain system.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current *financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies - continued

The 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. 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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Deposits and investments

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.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Certain resources of the City's governmental funds are set aside for repayment of debt, capital projects, impact fees, and cemetery perpetual care.

Note 1 - Summary of Significant Accounting Policies - continued

2. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. Receivables

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectable. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectable.

Property taxes are collected by the County Treasurer and remitted to the City shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

Sales taxes are collected by the State Tax Commission and remitted to the City monthly.

Franchise taxes are collected by telephone, natural gas and electric utilities, and by cable TV operations and are remitted to the City monthly.

This section intentionally left blank.

Note 1 - Summary of Significant Accounting Policies - continued

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. Property, plant, equipment, and infrastructure of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20 - 50
Sewer collection system	50
Water distribution system	50
Infrastructure and improvements	20 - 40
Machinery and equipment	5 - 10
Other improvements	10 - 40

Note 1 - Summary of Significant Accounting Policies - continued

5. 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 periods 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes to be collected in November were unavailable in the current fiscal year. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/ deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 - Summary of Significant Accounting Policies - continued

8. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund balance/net position policies

Government-wide financial statements

Equity is classified in the government-wide financial statements as net position and is displayed in three components:

Net investment in capital assets - Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Note 1 - Summary of Significant Accounting Policies - continued

10. Fund balance/net position policies - continued

Fund financial statements

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned, or Unassigned. Descriptions of each follow:

Nonspendable fund balance - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance - Amounts restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the City Council. The commitment can only be removed through the same action.

Assigned fund balance - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. This intent is expressed by either the City Council or delegated by the City Council to the City Manager. This also includes all remaining amounts that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted, nor committed or in the General Fund, that are intended to be used for specific purposes.

Unassigned fund balance - Residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund.

It is the City's policy to apply expenditures first to committed fund balance, then assigned, and finally unassigned.

Revenues and expenditures/expenses

1. Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Note 1 - Summary of Significant Accounting Policies - continued

2. Property taxes

Property taxes attach as an enforceable lien on real property on January 1st of each year. Taxes are levied on property owners in July and are payable by November 30th. Collections are periodically distributed to the taxing entities, with final settlement due March 31st of the subsequent year. The City records a receivable and deferred revenue for delinquent taxes, but no allowance for doubtful accounts is made as uncollected taxes are deemed to be substantially collectible or recoverable through foreclosure.

3. Compensated absences

City employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation up to 240 hours may carryover into the next year and is paid upon termination.

Sick leave shall be paid for any unused sick leave if the employee has been employed full-time for 5 years or more. The City will pay one-third the outstanding balance at the employee's last pay rate.

The government's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

4. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the utility funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

Budgets are prepared and adopted, in accordance with State law, by West Point City Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, capital projects, and debt service funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the City Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the function level. Appropriations lapse at June 30. During the year, supplemental appropriations were made increasing general fund expenditures by $31,297.

Budgets for the General Fund, Special Revenue Funds and Capital Projects Funds are prepared on the modified accrual basis of accounting. Encumbrances are used only as an internal management control device during the year. Appropriations lapse at year end. Therefore encumbrances are not reflected in the accompanying financial statements. However, encumbrances generally are reappropriated and honored as part of the following year's budget. The Council made several supplemental budgetary appropriations throughout the year. Budget and actual statements for funds reported as major are included in this report. The supplemental budgetary appropriations made in nonmajor funds were not material. During the current year, there were no expenditures that exceeded appropriations.

Utah State law allows for the accumulation of a fund balance in the general fund in an amount equal to 25% of the total current year revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the City has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget. At year end, the City's general fund balance was $611,150 which is 20.56% of current year revenue.

This section intentionally left blank.

Note 3 - Detailed Notes on all Funds

Deposits and investments

The City follows the requirements of the Utah Money Management Act (Utah Code , Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Entity funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk - Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. As of June 30, 2017, $1,235,075 of the local government's bank balances of $1,485,075 were uninsured and uncollateralized.

Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Money Management Act defines the types of securities authorized as appropriate investments for the City's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

Note 3 - Detailed Notes on all Funds - continued

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (Utah Code , Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Fair Value of Investments - The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets;
Level 2: Observable inputs other than quoted market prices; and,
Level 3: Unobservable inputs.

	Total investments measured at fair value		
Investments by fair value level	Level 1	Level 2	Level 3
Utah Public Treasurers' Investment Fund	$ -	7,788,682	-
Total investments measured at fair value	$ -	7,788,682	-

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

• U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
• Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
• Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;
• Utah Public Treasurers' Investment Fund: application of the December 31, 2015 fair value factor, as calculated by the Utah State Treasurer, to the Entity's average daily balance in the Fund.

Note 3 - Detailed Notes on all Funds - continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2017, the City's investments had the following maturities:

	Investment Maturities (in years)		
Investments by fair value level	Less than 1	1-5	6 or more
Utah Public Treasurers' Investment Fund	$ 7,788,682	-	-
Total investments measured at fair value	$ 7,788,682	-	-

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act, as previously discussed.

	Quality Ratings		
Investments by fair value level	AA	A	Unrated
Utah Public Treasurers' Investment Fund	$ -	-	7,788,682
Total investments measured at fair value	$ -	-	7,788,682

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments that are in the possession of an outside party. The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Note 3 - Detailed Notes on all Funds - continued

Receivables

Receivables as of year end for the government's general and enterprise funds are as follows:

	Governmental	Enterprise	Total
Accounts	$ -	306,355	306,355
Less: Allowance for uncollectable	-	(7,931)	(7,931)
Grants	52,271	-	52,271
Property tax	4,216	-	4,216
Sales and energy tax	275,017	-	275,017
B & C road revenue	95,476	-	95,476
Deferred property tax revenue	452,182	-	452,182
Franchise tax	6,749	-	6,749
	$ 885,910	298,424	1,184,334

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes	$ 452,182	-
Total deferred / unearned revenue for governmental funds	$ 452,182	-

Note 3 - Detailed Notes on all Funds - continued

Capital assets

Capital asset activity for the year ended June 30, 2017 was as follows:

Primary government	Beginning			Ending
Governmental activities	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	$ 3,924,790	-	-	3,924,790
Construction in progress	2,255,349	-	(2,255,349)	-
Total capital assets not being depreciated	6,180,139	-	(2,255,349)	3,924,790
Capital assets being depreciated				
Buildings	2,158,604	5,049	-	2,163,653
Improvements	2,515,326	93,663	(25,395)	2,583,594
Machinery and equipment	1,269,737	87,023	(38,297)	1,318,463
Infrastructure	13,543,262	4,194,285	(642,353)	17,095,194
Total capital assets being depreciated	19,486,929	4,380,020	(706,045)	23,160,904
Less accumulated depreciation for				
Buildings	$ 904,391	69,727	-	974,118
Improvements	448,405	50,314	-	498,719
Machinery and equipment	952,340	98,497	(37,020)	1,013,817
Infrastructure	1,916,593	267,808	-	2,184,401
Total accumulated depreciation	4,221,729	486,347	(37,020)	4,671,056
Total capital assets, being depreciated, net	15,265,200	3,893,673	(669,025)	18,489,848
Governmental activities capital assets, net	$ 21,445,339	3,893,673	(2,924,374)	22,414,638
Business-type activities				
Capital assets not being depreciated				
Land	$ 158,040	-	-	158,040
Construction in progress	58,758	58,833	(58,758)	58,833
Total capital assets not being depreciated	216,798	58,833	(58,758)	216,873
Capital assets being depreciated				
Buildings	60,000	-	-	60,000
Improvements	10,348,190	565,996	-	10,914,186
Machinery and equipment	486,199	14,853	-	501,052
Total capital assets being depreciated	10,894,389	580,849	-	11,475,238
Less accumulated depreciation for				
Buildings	26,746	1,905	-	28,651
Improvements	2,263,495	207,419	-	2,470,914
Machinery and equipment	395,627	36,100	-	431,726
Total accumulated depreciation	2,685,868	245,423	-	2,931,291
Total capital assets, being depreciated, net	8,208,521	335,426	-	8,543,947
Business-type activities capital assets, net	$ 8,425,319	394,259	(58,758)	8,760,820

Note 3 - Detailed Notes on all Funds - continued

Capital assets - continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	$ 219,682
Public works	200,224
Parks and community services	66,440
Total depreciation expense - governmental activities	486,347
Business-type activities	
Waste Utility	90,700
Water Utility	81,963
Storm Water Utility	72,760
Total depreciation expense - business-type activities	245,423
Total depreciation expense	$ 731,770

Interfund transfers

	Transfers Out					
Transfers In	General Fund	Special Revenue Fund	Capital Projects Fund	Waste Utility Fund	Water Fund	Total
Special Revenue Fund	$ 422,633	-	-	-	-	422,633
Capital projects	450,000	-	-	-	-	450,000
CDRA Fund	136,000	-	-	-	-	136,000
Debt service	107,300	-	-	-	-	107,300
Total transfer in	$ 1,115,933	-	-	-	-	1,115,933

Interfund receivables and payables are created when expenditures are paid by one fund on behalf of another. In addition, allocations of expenditures between funds are recorded as due to/from until paid. Transfers between funds are to fund operating expenditures and capital projects.

During the year, transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move general fund resources to provide an annual subsidy to the capital projects fund, and 3) move revenues from the general fund relating to Class C roads to the special revenue fund.

Note 3 - Detailed Notes on all Funds - continued

Long-term debt

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Revenue bonds	$ 1,738,000	-	(194,000)	1,544,000	195,000
Net pension liability	283,697	40,148	-	323,845	-
Compensated absences	55,543	72,500	(73,919)	54,124	30,310
Total long-term liabilities	$ 2,077,240	112,648	(267,919)	1,921,969	225,310

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Net pension liability	$ 157,135	18,378	-	175,513	-
Total long-term liabilities	$ 157,135	18,378	-	175,513	-

Revenue bonds issued at June 30, 2017 consist of the following:

Series	Purpose	Amount	Range	Date	Outstanding
2014	Refunding bonds for series 2001 excise tax bonds. Used to finance the acquisition and construction of major capital facilities.	$ 751,000	1.990%	2022	$ 506,000
2016	Sales tax revenue bonds. Used to finance the acquisition and construction of major capital facilities.	$ 1,136,000	3.590%	2026	1,038,000
					$ 1,544,000

Years Ending June 30	Tax Revenue Bonds Principal	Interest
2018	$ 197,000	46,368
2019	202,000	40,828
2020	208,000	35,141
2021	214,000	29,269
2022	221,000	23,205
2023 - 2026	502,000	46,899
Total	$ 1,544,000	221,711

Note 3 - Detailed Notes on all Funds - continued

Advance and current refunding

In 2014, the government issued $751,000 of excise tax revenue refunding bonds to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of $725,000 on excise tax revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This advance refunding originally reduced total debt service payments $46,344. The outstanding principal balance of the defeased bond as of June 30, 2017 was $481,000.

Note 4 - Other Information

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; and natural disasters for which the government carries commercial insurance.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Pension plans

General Information about the Pension Plan

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

Defined benefit plans:

- Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

Note 4 - Other Information - continued

Pension plans - continued

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Non-contributory	Highest 3 years	30 years any age 25 years any age * 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* With actuarial reductions

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

Note 4 - Other Information - continued

Pension plans - continued

Utah Retirement Systems

	Employee	Employer	Employer 401(k)
Contributory System			
111- Local Governmental Division Tier 2	N/A	14.91	1.78
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	18.47	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.69	10.00

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	$ 112,038	N/A
Tier 2 Public Employees System	45,965	-
Total Contributions	$ 158,003	$ -

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

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

Note 4 - Other Information - continued

Pension plans - continued

At June 30, 2017, we reported a net pension asset of $0 and a net pension liability of $449,357.

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 12/31/15	Change (decrease)
Noncontributory System	$ -	495,942	0.00772348%	0.07790620%	-0.0006714%
Tier 2 Public Employees System	$ -	3,415	0.03061740%	0.02781190%	0.0028055%
	$ -	499,357			

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2017 we recognized pension expense of $190,740.

At June 30, 2017 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,773	16,329
Changes in assumptions	69,198	16,453
Net difference between projected and actual earnings on pension plan investments	111,509	33,085
Changes in proportion and differences between contributions and proportionate share of contributions	2,403	3,656
Contributions subsequent to the measurement date	80,410	-
Total	$ 274,293	69,523

Note 4 - Other Information - continued

Pension plans - continued

$80,410 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2016. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. 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 December 31,	Deferred Outflows (inflows) of Resources
2017	$ 37,724
2018	38,154
2019	47,917
2020	(548)
2021	89
Thereafter	1,022

Actuarial assumptions: The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 Percent
Salary Increases	3.35 - 10.35 percent average, including inflation
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2016, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

Note 4 - Other Information - continued

Pension plans - continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Expected Return Arithmetic Basis		
Asset Class	**Target Asset Allocation**	**Real Return Arithmetic Basis**	**Long-Term expected portfolio real rate of return**
Equity Securities	40%	7.06%	2.82%
Debt Securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute Return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.60%
	Expected arithmetic nominal return		7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. 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 active and inactive employees. 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. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

Note 4 - Other Information - continued

Pension plans - continued

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	$ 1,027,264	495,942	52,583
Tier 2 Public Employees System	23,247	3,415	(11,672)
Total	1,050,511	499,357	40,911

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

Defined Contribution Savings Plan

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are, voluntary tax-advantaged retirement savings programs authorized under sections 401 (k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

West Point City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

*401(k) Plan
*457(b) plan
*Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:

	2017	2016	2015
401(k) Plan			
Employer contributions	$ 19,837	18,019	17,319
Employee contributions	16,139	26,254	21,446
457 Plan			
Employer contributions	-	-	-
Employee contributions	6,092	6,480	5,865
Roth IRA Plan			
Employer contributions	N/A	N/A	N/A
Employee contributions	652	1,080	1,080

Note 4 - Other Information - continued

Subsequent events

Subsequent events have been evaluated through November 30, 2017 the date that the financial statements were available to be issued. There have been no subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet.

This space intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

West Point City

Schedule of the Proportionate Share of the Net Pension Liability

Utah Retirement Systems

Last Four Fiscal Years Ending December 31*

	2013	2014	2015	2016
Noncontributory System				
Proportion of the net pension liability (asset)	0.2324696%	0.2324696%	0.0779062%	0.7723480%
Proportionate share of the net pension liability (asset)	$ 419,588	$ 337,616	$ 440,831	$ 495,942
Covered employee payroll	NA	$ 640,863	$ 631,314	$ 623,998
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	NA	52.70%	69.83%	79.48%
Plan fiduciary net position as a percentage of the total pension liability	NA	90.20%	87.80%	87.30%
Tier 2 Public Employees System				
Proportion of the net pension liability (asset)	0.0299416%	0.0299416%	0.0278119%	0.0306174%
Proportionate share of the net pension liability (asset)	$ 180	$ (907)	$ (61)	$ 3,415
Covered employee payroll	NA	$ 146,853	$ 179,683	$ 251,086
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	NA	-0.60%	-0.03%	1.36%
Plan fiduciary net position as a percentage of the total pension liability	NA	103.50%	100.20%	95.10%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the employers the fiscal year.

N/A - Information not available.

West Point City

Schedule of Contributions

Last 10 Fiscal Years Ending June 30*

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Noncontributory System										
Contractually required contribution	64,789	77,281	80,601	88,656	95,930	112,862	116,067	114,507	117,121	112,038
Contributions in relation to the contractually required contributior	(64,789)	(77,281)	(80,601)	(88,656)	(95,930)	(112,862)	(116,067)	(114,507)	(117,121)	(112,038)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered employee payroll	NA	665,063	691,261	663,096	696,660	689,146	634,182	627,436	634,114	606,593
Contributions as a percentage of covered-employee payroll	0.00%	11.62%	11.66%	13.37%	13.77%	16.38%	18.30%	18.25%	18.47%	18.47%
Tier 2 Public Employees System										
Contractually required contribution	-	-	-	-	2,743	13,312	10,170	23,875	31,012	45,965
Contributions in relation to the contractually required contributior	-	-	-	-	(2,743)	(13,312)	(10,170)	(23,875)	(31,012)	(45,965)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered employee payroll	-	-	-	-	36,138	159,805	119,645	159,805	207,993	308,281
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	8.33%	8.50%	14.94%	14.91%	14.91%

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 201

NA Information not available

Changes of Assumptions

The following assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

SUPPLEMENTARY INFORMATION

West Point City

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Capital Projects
For the Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Interest income	$ -	-	14,061	14,061
Miscellaneous	190,644	190,644	32,190	(158,454)
Total revenues	190,644	190,644	46,251	(144,393)
Expenditures				
Capital outlay	1,361,801	1,361,801	68,308	1,293,493
Total expenditures	1,361,801	1,361,801	68,308	1,293,493
Excess revenues over (under) expenditures	(1,171,157)	(1,171,157)	(22,057)	1,149,100
Other financing sources (uses)				
Transfers in	800,000	800,000	450,000	(350,000)
Total other financing sources and uses	800,000	800,000	450,000	(350,000)
Net change in fund balance	(371,157)	(371,157)	427,943	799,100
Fund balances - beginning of year	1,821,364	1,821,364	1,821,364	-
Fund balances - end of year	$ 1,450,207	1,450,207	2,249,307	799,100

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

West Point City

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Debt Service
For the Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Interest income	$ -	-	1,007	1,007
Total revenues	-	-	1,007	1,007
Expenditures				
Debt service:				
Principal retirement	96,000	96,000	96,000	-
Interest and fiscal charges	11,300	11,300	11,020	280
Total expenditures	107,300	107,300	107,020	280
Excess revenues over (under) expenditures	(107,300)	(107,300)	(106,013)	1,287
Other financing sources (uses)				
Transfers in	107,300	107,300	107,300	-
Total other financing sources and uses	107,300	107,300	107,300	-
Net change in fund balance	-	-	1,287	1,287
Fund balances - beginning of year	110,292	110,292	110,292	-
Fund balances - end of year	$ 110,292	110,292	111,579	1,287

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

West Point City

Statement of Revenues, Expenditures, and Changes in Fund Balances

Prior Year Comparative

General Fund

For the Years Ended June 30, 2017 and 2016

	June 30, 2017	June 30, 2016	Variance Increase (Decrease) Over PY
Revenues			
Taxes			
Property tax - real estate	$ 414,248	410,662	3,586
Property tax - vehicles	37,615	38,043	(428)
Sales and use taxes	1,291,581	1,083,518	208,063
Energy & telecom taxes	524,353	499,182	25,171
Total taxes	2,267,797	2,031,405	236,392
Licenses and permits			
Business licenses	12,298	15,760	(3,462)
Building permits	115,812	105,402	10,410
Total licenses and permits	128,110	121,162	6,948
Intergovernmental			
Class "C" roads	422,633	296,882	125,751
Total intergovernmental revenue	422,633	296,882	125,751
Charges for services			
Zoning & subdivision fees	6,610	8,309	(1,699)
Recreation fees	94,990	92,966	2,024
Cemetery	14,800	16,700	(1,900)
Miscellaneous	20,025	38,671	(18,646)
Total charges for services	136,425	156,646	(20,221)
Miscellaneous			
Donations	2,810	4,140	(1,330)
Miscellaneous	5,968	5,300	668
Interest	8,817	5,708	3,109
Total miscellaneous	17,595	15,148	2,447
Total revenues	2,972,560	2,621,243	351,317

West Point City

Statement of Revenues, Expenditures, and Changes in Fund Balances
Prior Year Comparative (continued)
General Fund
For the Years Ended June 30, 2017 and 2016

	June 30, 2017	June 30, 2016	Variance Increase (Decrease) Over PY
Expenditures			
General government			
Mayor and council	$ 55,010	56,174	(1,164)
Finance	203,702	187,605	16,097
Administrative	410,564	403,089	7,475
Total general government	669,276	646,868	22,408
Public safety			
Public safety	156,938	161,748	(4,810)
Planning and development	230,371	208,601	21,770
Total public safety	387,309	370,349	16,960
Streets and public works			
Public works	280,097	287,435	(7,338)
Total streets and public works	280,097	287,435	(7,338)
Parks and recreation			
Parks and cemetery	146,023	152,755	(6,732)
Recreation	253,309	223,817	29,492
Total parks and recreation	399,332	376,572	22,760
Total expenditures	1,736,014	1,681,224	54,790
Excess revenues over (under) expenditures	1,236,546	940,019	296,527
Other financing sources (uses)			
Transfers in (out)	(1,115,933)	(978,907)	137,026
Total other financing sources and uses	(1,115,933)	(978,907)	137,026
Net change in fund balance	120,613	(38,888)	159,501
Fund balances - beginning of year	593,746	592,635	1,111
Fund balances - end of year	$ 714,359	553,747	160,612

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

OTHER REPORTS

This page intentionally left blank.

Ulrich & Associates, PC
Certified Public Accountants

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*

The Honorable Mayor and Members
of the City Council
West Point City, Utah

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 West Point City, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise West Point City's basic financial statements and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Point City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Point City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the West Point City'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 a 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 governance.

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 deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Charles E. Ulrich, CPA | Michael E. Ulrich, CPA
Heather Christopherson, CPA
Kaela Cornwell, CPA

4991 South Harrison | Ogden, Utah 84403
Tel] 801.627.2100 | Fax] 801.475.6548
website] www.ulrichcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Point City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of West Point City in a separate letter dated November 30, 2017

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.

Ulrich & Associates, P.C.

November 30, 2017

Ulrich & Associates, PC
Certified Public Accountants

INDPENDENT AUDITOR'S REPORT ON COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE*

The Honorable Mayor and Members
of the City Council
West Point City, Utah

Report On Compliance with General State Compliance Requirements

We have audited West Point City's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on West Point City for the year ended June 30, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 in the following areas:

Budgetary Compliance
Fund Balance
Utah Retirement Systems
Restricted Taxes
Open and Public Meetings Act
Treasurer Bond
Enterprise Fund Transfers, Reimbursements, Loans, and Services

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on West Point City's compliance based on our audit of the 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 State Compliance Audit Guide. Those standards and the State Compliance Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City occurred. An audit includes examining, on a test basis, evidence about the City'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 with general state compliance requirements. However, our audit does not provide a legal determination of West Point City's compliance.

Opinion on General State Compliance Requirements

In our opinion, West Point City complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance.

Report On Internal Control Over Compliance

Management of West Point City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered West Point City's internal control over compliance with the compliance requirements that could have a direct and material effect on West Point City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide* , 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 West Point City'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 general state compliance requirement 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 general state compliance requirement 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 general state compliance requirement 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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

Ulrich & Associates, P.C.

Ogden, Utah
November 30, 2017