

ANNUAL FINANCIAL STATEMENT



Fiscal Year Ended
June 30, 2012

West Point City

Annual Financial Statements

With Auditors' Report Thereon

For the Year Ended June 30, 2012

West Point City

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of West Point City as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Point City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of West Point City as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof and the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2012 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Point City's financial statements as a whole. The prior year comparative general fund information is presented for purposes of additional analysis and is not a required part of the financial statements. The 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. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements as a whole.

Ulrich & Associates, P.C.

October 17, 2012

West Point City
Management's Discussion and Analysis
June 30, 2012

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, 2012.

Financial Highlights

- ◆ The City's total net assets of \$25,883,082 is made up of \$22,031,179 in capital assets and other net assets of \$5,088,987, less related debt of \$1,237,084. Of the total net assets amount, \$3,034,325 may be used to meet the ongoing obligations of the City.
- ◆ The City's total net assets increased by 4.5% (\$24,778,888 to \$25,883,082).
- ◆ The City's governmental funds reported combined ending fund balances of \$3,514,485, an increase of \$663,848 over the prior year. Of the total fund balance, \$361,772 (unassigned fund balance) is available to spend at the government's discretion.
- ◆ In the enterprise funds, total net assets increased by \$419,702 during the current year.
- ◆ Total debt of the City was reduced by \$191,091 during the current 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 comprise 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 assets presents information on all of West Point City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of West Point City is improving or deteriorating. However, you will also need to consider other non-financial factors.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus 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 Assets 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, and the debt service 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 fund 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 assets, over time, are intended to serve as an indicator of a government's financial position. In the case of West Point City, assets exceeded liabilities by \$25,883,082, an increase of \$1,104,194 over the prior year. By far, the largest portion of West Point City's net assets 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.

West Point City
Management's Discussion and Analysis
June 30, 2012

Statement of Net Assets

| | Governmental Activities | | Business-Type Activities | |
|---|-------------------------|-------------------|--------------------------|------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Current and other assets | \$ 3,931,957 | 3,278,468 | 1,858,470 | 1,565,759 |
| Capital assets | 15,004,183 | 15,027,559 | 7,026,996 | 7,035,288 |
| Total assets | <u>18,936,140</u> | <u>18,306,027</u> | <u>8,885,466</u> | <u>8,601,047</u> |
| Long-term debt outstanding | 1,273,433 | 1,463,330 | - | - |
| Other liabilities | 414,047 | 410,049 | 251,044 | 254,807 |
| Total liabilities | <u>1,687,480</u> | <u>1,873,379</u> | <u>251,044</u> | <u>254,807</u> |
| Net assets | | | | |
| Invested in capital assets, net of debt | 13,730,750 | 13,564,229 | 7,026,996 | 6,903,768 |
| Restricted | 2,018,313 | 1,697,656 | - | - |
| Unrestricted | 1,463,245 | 1,170,763 | 1,607,426 | 1,310,952 |
| Total net assets | <u>\$ 17,212,308</u> | <u>16,432,648</u> | <u>8,634,422</u> | <u>8,214,720</u> |

Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | |
|----------------------------------|-------------------------|------------------|--------------------------|------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | \$ 705,553 | 525,871 | 2,566,049 | 2,325,857 |
| Operating grants & contributions | 300,602 | 282,593 | - | - |
| Capital grants & contributions | 244,031 | 115,278 | 198,094 | 66,370 |
| General revenues | | | | |
| Property taxes | 351,973 | 345,273 | - | - |
| General sales & use tax | 847,515 | 766,722 | - | - |
| Energy & telecom tax | 471,542 | 469,346 | - | - |
| Interest income | 7,260 | 17,097 | 3,681 | 1,622 |
| Gain on sale of asset | 10,108 | - | 1,045 | - |
| Total revenues | <u>2,938,584</u> | <u>2,522,180</u> | <u>2,768,869</u> | <u>2,393,849</u> |

West Point City
Management's Discussion and Analysis
June 30, 2012

Changes in Net Assets (continued)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|------------------------------------|--------------------------------|-------------------|---------------------------------|------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Expenses | | | | |
| General government | \$ 774,187 | 655,759 | - | - |
| Public safety/court | 244,323 | 246,674 | - | - |
| Highways/public works | 661,559 | 870,749 | - | - |
| Parks & recreation | 380,049 | 274,965 | - | - |
| Interest long-term debt | 62,454 | 112,628 | - | - |
| Waste utility | - | - | 1,023,635 | 920,379 |
| Water utility | - | - | 1,183,937 | 1,114,302 |
| Storm water utility | - | - | 141,595 | 123,797 |
| Total expenses | <u>2,122,572</u> | <u>2,160,775</u> | <u>2,349,167</u> | <u>2,158,478</u> |
| Increase (decrease) in net assets | 816,012 | 361,405 | 419,702 | 235,371 |
| Net assets, beginning, as adjusted | <u>16,432,648</u> | <u>16,071,243</u> | <u>8,214,720</u> | <u>7,979,349</u> |
| Net assets, ending | <u>\$ 17,248,660</u> | <u>16,432,648</u> | <u>8,634,422</u> | <u>8,214,720</u> |

Financial Analysis of Governmental Funds

The focus of the City's 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, 2012, the City's general fund reported a fund balance of \$372,132. This represents an increase of \$29,602 from last year's ending balances.

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 73% of total general fund revenues, which is very consistent with prior years. The largest element of tax revenue is sales tax, as has been the case for the last several years. Sales tax is 51%, property tax 21%, and energy & telecommunication tax 28% of general fund tax revenue.

In the general fund, building permits increased in the current year (up \$36,354 from prior year). As well, there was a slight increase in impact fee revenue (up \$74,951) indicating a slow rise in building activity within the City.

West Point City
Management's Discussion and Analysis
June 30, 2012

General Fund Budgetary Highlights

During the current fiscal year, the general fund's original budget was amended from an expenditure total of \$1,664,377 to a final budget of \$1,680,174 for an increase of \$15,797 or 1%. These budget increases were made by council decision (and approved at council meeting after a public hearing).

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$546,213 in infrastructure and improvements.

West Point City's Capital Assets

| | Government Activities 2012 | Business- Type Activities 2012 |
|--------------------------------|----------------------------------|---|
| Land | \$ 3,909,352 | \$ 158,040 |
| Buildings | 1,921,200 | 60,000 |
| Improvements | 1,391,086 | 8,304,988 |
| Machinery and equipment | 991,280 | 381,340 |
| Infrastructure | 9,624,246 | - |
| Less: Accumulated depreciation | <u>(2,832,981)</u> | <u>(1,877,372)</u> |
| Total | <u>\$ 15,004,183</u> | <u>\$ 7,026,996</u> |

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

Long-term Debt

At June 30, 2012, the City has total bonded debt outstanding of \$870,000. This debt is secured solely by specific revenue sources (i.e., revenue bonds). It also has a note payable outstanding of \$367,084.

West Point City's Long-Term Debt

| | Government Activities 2011 |
|--------------------------|----------------------------------|
| Excise tax revenue bonds | \$ 870,000 |
| Note payable | 367,084 |
| | <u>\$ 1,237,084</u> |

The City's total debt decreased by \$191,091 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 Assets
June 30, 2012

| | Primary Government | | Total |
|--|------------------------------------|-------------------------------------|-------------------|
| | Governmental Activities | Business-type Activities | |
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 1,314,473 | 1,607,233 | 2,921,706 |
| Restricted cash and cash equivalents | 2,018,313 | - | 2,018,313 |
| Accounts receivable - net | 566,681 | 251,237 | 817,918 |
| Prepaid expenses | 10,360 | - | 10,360 |
| Deferred bond costs - net | 22,130 | - | 22,130 |
| Capital assets (net of accumulated depreciation) | | | |
| Land | 3,909,352 | 158,040 | 4,067,392 |
| Buildings | 1,285,153 | 40,872 | 1,326,025 |
| Improvements | 1,090,261 | 6,800,877 | 7,891,138 |
| Machinery and equipment | 141,190 | 27,207 | 168,397 |
| Infrastructure | 8,578,227 | - | 8,578,227 |
| Total assets | 18,936,140 | 8,885,466 | 27,821,606 |
| <u>Liabilities</u> | | | |
| Accounts payable and accrued liabilities | 73,648 | 251,044 | 324,692 |
| Other current liabilities | 26,904 | - | 26,904 |
| Deferred revenue | 313,495 | - | 313,495 |
| Noncurrent liabilities: | | | |
| Due within one year | 223,995 | - | 223,995 |
| Due in more than one year | 1,049,438 | - | 1,049,438 |
| Total liabilities | 1,687,480 | 251,044 | 1,938,524 |
| <u>Net Assets</u> | | | |
| Invested in capital assets, net of related debt | 13,767,099 | 7,026,996 | 20,794,095 |
| Restricted for impact fees | 1,129,665 | - | 1,129,665 |
| Restricted for debt service | 137,373 | - | 137,373 |
| Restricted for Class C road | 751,275 | - | 751,275 |
| Unrestricted | 1,463,248 | 1,607,426 | 3,070,674 |
| Total net assets | \$ 17,248,660 | 8,634,422 | 25,883,082 |

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, 2012

| Function/Programs Primary government | Program Revenues | | | Net (Expense) Revenues & Changes in Net Assets | | |
|---|------------------|-------------------------|-----------------------------|--|--|-----------------------------|
| | Expenses | Operating | | Governmental Activities | Primary Government | |
| | | Charges for Services | Grants and Contributions | | Capital Grants and Contributions | Business-type Activities |
| Governmental activities | | | | | | |
| General government | \$ 774,187 | 269,665 | - | \$ (504,522) | | (504,522) |
| Public safety | 244,323 | - | 6,934 | (237,389) | | (237,389) |
| Streets and public works | 661,559 | 352,364 | 293,668 | 228,504 | | 228,504 |
| Parks and recreation | 380,049 | 83,524 | - | (296,525) | | (296,525) |
| Interest on long-term debt | 62,454 | - | - | (62,454) | | (62,454) |
| Total governmental activities | 2,122,572 | 705,553 | 300,602 | (872,386) | | (872,386) |
| Business-type activities | | | | | | |
| Waste utility | 1,023,635 | 1,083,293 | - | | 115,911 | 115,911 |
| Water utility | 1,183,937 | 1,339,532 | - | | 205,886 | 205,886 |
| Storm water utility | 141,595 | 143,224 | - | | 93,179 | 93,179 |
| Total business-type activities | 2,349,167 | 2,566,049 | - | | 414,976 | 414,976 |
| Total primary government | \$ 4,471,739 | 3,271,602 | 300,602 | (872,386) | 414,976 | (457,410) |
| General revenues | | | | | | |
| Property taxes | | | | 351,973 | - | 351,973 |
| General sales and use tax | | | | 847,515 | - | 847,515 |
| Energy and franchise tax | | | | 471,542 | - | 471,542 |
| Gain on sale of capital assets | | | | 10,108 | 1,045 | 11,153 |
| Net interest earnings (expense) | | | | 7,260 | 3,681 | 10,941 |
| Total general revenues | | | | 1,688,398 | 4,726 | 1,693,124 |
| Change in net assets | | | | 816,012 | 419,702 | 1,235,714 |
| Net assets - beginning, as adjusted | | | | 16,432,648 | 8,214,720 | 24,647,368 |
| Net assets - ending | | | | \$ 17,248,660 | 8,634,422 | 25,883,082 |

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, 2012

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|-------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| <u>Assets</u> | | | | | |
| Cash and cash equivalents | \$ 190,433 | - | 1,124,040 | - | 1,314,473 |
| Restricted cash and cash equivalents | - | 1,880,940 | - | 137,373 | 2,018,313 |
| Receivables | | | | | |
| Property, sales, & energy tax | 187,481 | - | - | - | 187,481 |
| Class C roads | 56,064 | - | - | - | 56,064 |
| Telecommunications | 9,641 | - | - | - | 9,641 |
| Deferred property taxes | 313,495 | - | - | - | 313,495 |
| Prepaid expense | 10,360 | - | - | - | 10,360 |
| | <u>767,474</u> | <u>1,880,940</u> | <u>1,124,040</u> | <u>137,373</u> | <u>3,909,827</u> |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities | | | | | |
| Accounts payable | 54,943 | - | - | - | 54,943 |
| Accrued liabilities | 26,904 | - | - | - | 26,904 |
| Deferred revenue | 313,495 | - | - | - | 313,495 |
| | <u>395,342</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>395,342</u> |
| Fund Balances | | | | | |
| Nonspendable | 10,360 | - | - | - | 10,360 |
| Restricted: | | | | | |
| Class C roads | - | 751,275 | - | - | 751,275 |
| Impact fees | - | 1,129,665 | - | - | 1,129,665 |
| Debt service | - | - | - | 137,373 | 137,373 |
| Committed | - | - | 1,124,040 | - | 1,124,040 |
| Unassigned | 361,772 | - | - | - | 361,772 |
| | <u>372,132</u> | <u>1,880,940</u> | <u>1,124,040</u> | <u>137,373</u> | <u>3,514,485</u> |
| Total fund balances | <u>372,132</u> | <u>1,880,940</u> | <u>1,124,040</u> | <u>137,373</u> | <u>3,514,485</u> |
| Total liabilities and fund balances | <u>\$ 767,474</u> | <u>1,880,940</u> | <u>1,124,040</u> | <u>137,373</u> | <u>3,909,827</u> |

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

West Point City
Balance Sheet Reconciliation to Statement of Net Assets
June 30, 2012

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

| | |
|---|--------------|
| Total fund balances - governmental fund types | \$ 3,514,485 |
|---|--------------|

| | |
|---|------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 15,004,183 |
|---|------------|

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Also issuance costs are not currently expensed but amortized over the life of the bond. The detail is as follows:

| | | |
|-----------------------|-------------|-------------|
| Deferred bond costs | 22,130 | |
| Bond interest payable | (18,705) | |
| Bonds payable | (870,000) | |
| Notes payable | (367,084) | |
| Compensated absences | (36,349) | |
| | (1,270,008) | (1,270,008) |

| | |
|-------------------------------------|-----------------------------|
| Net assets of government activities | <u><u>\$ 17,248,660</u></u> |
|-------------------------------------|-----------------------------|

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, 2012

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|--|-------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| <u>Revenues</u> | | | | | |
| Taxes | \$ 1,671,030 | - | - | - | 1,671,030 |
| Licenses and permits | 118,513 | - | - | - | 118,513 |
| Charges for services | 184,266 | - | - | - | 184,266 |
| Impact fees | - | 352,364 | - | - | 352,364 |
| Intergovernmental | 300,602 | - | - | - | 300,602 |
| Interest | 1,735 | 2,663 | 2,574 | 286 | 7,258 |
| Miscellaneous revenue | 4,335 | - | 46,075 | - | 50,410 |
| | <u>2,280,481</u> | <u>355,027</u> | <u>48,649</u> | <u>286</u> | <u>2,684,443</u> |
| <u>Expenditures</u> | | | | | |
| Current | | | | | |
| General government | 651,353 | - | - | - | 651,353 |
| Public safety | 244,323 | - | - | - | 244,323 |
| Streets and public works | 370,378 | 92,240 | - | - | 462,618 |
| Parks and recreation | 241,876 | 103,566 | - | - | 345,442 |
| Capital outlay | 20,944 | - | 64,375 | - | 85,319 |
| Debt service: | | | | | |
| Principal retirement | - | 111,091 | - | 80,000 | 191,091 |
| Interest and fiscal charges | - | 23,909 | - | 26,648 | 50,557 |
| | <u>1,528,874</u> | <u>330,806</u> | <u>64,375</u> | <u>106,648</u> | <u>2,030,703</u> |
| Excess revenues over (under) expenditures | <u>751,607</u> | <u>24,221</u> | <u>(15,726)</u> | <u>(106,362)</u> | <u>653,740</u> |
| <u>Other financing sources (uses)</u> | | | | | |
| Proceeds from sale of capital asset | 10,108 | - | - | - | 10,108 |
| Transfers in | - | 293,668 | 329,315 | 109,130 | 732,113 |
| Transfers (out) | (732,113) | - | - | - | (732,113) |
| | <u>(722,005)</u> | <u>293,668</u> | <u>329,315</u> | <u>109,130</u> | <u>10,108</u> |
| Net change in fund balances | 29,602 | 317,889 | 313,589 | 2,768 | 663,848 |
| Fund balance - beginning of year | 342,530 | 1,563,051 | 810,451 | 134,605 | 2,850,637 |
| Fund balance - end of year | <u>\$ 372,132</u> | <u>1,880,940</u> | <u>1,124,040</u> | <u>137,373</u> | <u>3,514,485</u> |

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

West Point City
Statement of Changes Reconciliation to Statement of Activities
For the Year Ended June 30, 2012

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

| | | |
|--|------------------|--------------------------|
| Net changes in fund balances - total governmental funds | | \$ 663,848 |
| <p>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.</p> | | |
| Capital Outlay | 90,899 | |
| Depreciation expense | <u>(358,306)</u> | (267,407) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| | | 244,031 |
| <p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, does not effect net assets. This is the net effect of differences in the treatment of long-term debt and related items.</p> | | |
| Bond cost amortization | (2,460) | |
| Retirement of long-term debt | <u>191,091</u> | 188,631 |
| <p>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.</p> | | |
| Compensated absences | (1,194) | |
| Accrued interest | <u>(11,897)</u> | <u>(13,091)</u> |
| Change in net assets of governmental activities | | <u><u>\$ 816,012</u></u> |

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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------------|-------------------|---|
| | Original | Final | | |
| <u>Revenues</u> | | | | |
| Taxes | | | | |
| Property tax - real estate | \$ 310,000 | 310,000 | 316,215 | 6,215 |
| Property tax - vehicles | 40,000 | 35,000 | 35,758 | 758 |
| Sales and use taxes | 730,000 | 770,000 | 847,515 | 77,515 |
| Energy and franchise taxes | 442,000 | 452,000 | 471,542 | 19,542 |
| Total taxes | 1,522,000 | 1,567,000 | 1,671,030 | 104,030 |
| Licenses and permits | | | | |
| Business licenses | 12,000 | 12,000 | 14,645 | 2,645 |
| Building permits | 70,000 | 70,000 | 103,868 | 33,868 |
| Total licenses and permits | 82,000 | 82,000 | 118,513 | 36,513 |
| Intergovernmental | | | | |
| Class C roads | 250,000 | 250,000 | 293,668 | 43,668 |
| State liquor fund allotment | 4,500 | 4,500 | 5,502 | 1,002 |
| State CERT grant | - | - | 1,432 | 1,432 |
| Total intergovernmental revenue | 254,500 | 254,500 | 300,602 | 46,102 |
| Charges for services | | | | |
| Zoning and subdivision fees | 2,000 | 2,000 | 3,534 | 1,534 |
| Administrative fee - other funds | 50,000 | 50,000 | 50,000 | - |
| Recreation fees | 79,080 | 79,080 | 83,524 | 4,444 |
| Cemetery | 3,000 | 3,000 | 9,400 | 6,400 |
| Miscellaneous | 27,000 | 27,000 | 37,808 | 10,808 |
| Total charges for services | 161,080 | 161,080 | 184,266 | 23,186 |
| Miscellaneous | | | | |
| Donations | - | - | 4,335 | 4,335 |
| Interest | 1,000 | 1,000 | 1,735 | 735 |
| Total miscellaneous | 1,000 | 1,000 | 6,070 | 5,070 |
| Total revenues | 2,020,580 | 2,065,580 | 2,280,481 | 214,901 |

West Point City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
General Fund
For the Year Ended June 30, 2012

| | <u>Budgeted Amounts</u> | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|-------------------------|------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Expenditures</u> | | | | |
| General government | | | | |
| Mayor and council | \$ 52,790 | 52,790 | 48,406 | 4,384 |
| Finance | 251,221 | 251,221 | 245,628 | 5,593 |
| Administrative | 381,781 | 393,166 | 357,319 | 35,847 |
| Total general government | <u>685,792</u> | <u>697,177</u> | <u>651,353</u> | <u>45,824</u> |
| Public safety | | | | |
| Public safety | 132,232 | 132,232 | 118,211 | 14,021 |
| Planning and development | 147,384 | 147,384 | 126,112 | 21,272 |
| Total public safety | <u>279,616</u> | <u>279,616</u> | <u>244,323</u> | <u>35,293</u> |
| Streets and public works | | | | |
| Public works | 392,553 | 402,553 | 370,378 | 32,175 |
| Total streets and public works | <u>392,553</u> | <u>402,553</u> | <u>370,378</u> | <u>32,175</u> |
| Parks and recreation | | | | |
| Parks and cemetery | 125,225 | 115,225 | 96,812 | 18,413 |
| Recreation | 181,191 | 185,603 | 166,008 | 19,595 |
| Total parks and recreation | <u>306,416</u> | <u>300,828</u> | <u>262,820</u> | <u>38,008</u> |
| Total expenditures | <u>1,664,377</u> | <u>1,680,174</u> | <u>1,528,874</u> | <u>151,300</u> |
| Excess revenues over (under) expenditures | <u>356,203</u> | <u>385,406</u> | <u>751,607</u> | <u>366,201</u> |
| <u>Other financing sources (uses)</u> | | | | |
| Proceeds from sale of capital asset | - | - | 10,108 | 10,108 |
| Transfers (out) | (359,130) | (359,130) | (732,113) | (372,983) |
| Total other financing sources and uses | <u>(359,130)</u> | <u>(359,130)</u> | <u>(722,005)</u> | <u>(362,875)</u> |
| Net change in fund balance | (2,927) | 26,276 | 29,602 | 3,326 |
| Fund balances - beginning of year | 342,530 | 342,530 | 342,530 | - |
| Fund balances - end of year | <u>\$ 339,603</u> | <u>368,806</u> | <u>372,132</u> | <u>3,326</u> |

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, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Positive (Negative) |
|--|-------------------------|--------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| <u>Revenues</u> | | | | |
| Impact fees | \$ 110,320 | 363,471 | 352,364 | (11,107) |
| Interest Income | - | - | 2,663 | 2,663 |
| Total revenues | <u>110,320</u> | <u>363,471</u> | <u>355,027</u> | <u>(8,444)</u> |
| <u>Expenditures</u> | | | | |
| Class C road expenditures | 250,000 | 787,415 | 92,240 | 695,175 |
| Streets and public works | 34,030 | 376,087 | - | 376,087 |
| Parks and recreation | - | 36,766 | 6,314 | 30,452 |
| Intergovernmental | 32,190 | 53,599 | 97,252 | (43,653) |
| Capital outlay | 20,290 | 533,428 | - | 533,428 |
| Debt service: | | | | |
| Principal retirement | 23,810 | 208,609 | 111,091 | 97,518 |
| Interest and fiscal charges | - | - | 23,909 | (23,909) |
| Total expenditures | <u>360,320</u> | <u>1,995,904</u> | <u>330,806</u> | <u>1,665,098</u> |
| Excess revenues over (under) expenditures | <u>(250,000)</u> | <u>(1,632,433)</u> | <u>24,221</u> | <u>1,656,654</u> |
| <u>Other financing sources (uses)</u> | | | | |
| Transfers in | <u>250,000</u> | <u>237,568</u> | <u>293,668</u> | <u>56,100</u> |
| Total other financing sources and uses | <u>250,000</u> | <u>237,568</u> | <u>293,668</u> | <u>56,100</u> |
| Net change in fund balance | - | (1,394,865) | 317,889 | 1,712,754 |
| Fund balances - beginning of year | <u>1,563,051</u> | <u>1,563,051</u> | <u>1,563,051</u> | <u>-</u> |
| Fund balances - end of year | <u>\$ 1,563,051</u> | <u>168,186</u> | <u>1,880,940</u> | <u>1,712,754</u> |

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

West Point City
Statement of Net Assets
Proprietary Funds
June 30, 2012

| | Business-Type Activities - Enterprise Funds | | | Total |
|---|---|------------------|------------------|--------------------|
| | Waste Utility | Water Utility | Storm Utility | |
| <u>Assets</u> | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 522,087 | 640,454 | 444,692 | 1,607,233 |
| Accounts receivable - net | 112,848 | 123,352 | 15,037 | 251,237 |
| Due from other funds | 15,000 | - | - | 15,000 |
| Total current assets | <u>649,935</u> | <u>763,806</u> | <u>459,729</u> | <u>1,873,470</u> |
| Noncurrent assets | | | | |
| Land, equipment, buildings and improvements | 3,097,158 | 2,877,262 | 2,929,948 | 8,904,368 |
| Less: Accumulated depreciation | <u>(1,013,403)</u> | <u>(588,720)</u> | <u>(275,249)</u> | <u>(1,877,372)</u> |
| Total noncurrent assets | <u>2,083,755</u> | <u>2,288,542</u> | <u>2,654,699</u> | <u>7,026,996</u> |
| Total assets | <u>2,733,690</u> | <u>3,052,348</u> | <u>3,114,428</u> | <u>8,900,466</u> |
| <u>Liabilities</u> | | | | |
| Current liabilities | | | | |
| Accounts payable | 121,555 | 103,347 | 139 | 225,041 |
| Accrued liabilities | 11,168 | 11,168 | 3,667 | 26,003 |
| Due to other funds | - | 15,000 | - | 15,000 |
| Total current liabilities | <u>132,723</u> | <u>129,515</u> | <u>3,806</u> | <u>266,044</u> |
| Total liabilities | <u>132,723</u> | <u>129,515</u> | <u>3,806</u> | <u>266,044</u> |
| <u>Net Assets</u> | | | | |
| Invested in capital assets, net of related debt | 2,083,755 | 2,288,542 | 2,654,699 | 7,026,996 |
| Unrestricted | <u>517,212</u> | <u>634,291</u> | <u>455,923</u> | <u>1,607,426</u> |
| Total net assets | <u>\$ 2,600,967</u> | <u>2,922,833</u> | <u>3,110,622</u> | <u>8,634,422</u> |

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 Assets
Proprietary Funds
For the Year Ended June 30, 2012

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|------------------|------------------|------------------|
| | Waste Utility | Water Utility | Storm Utility | Total |
| Operating Revenues | | | | |
| Charges for services | \$ 1,081,338 | 1,328,362 | 143,224 | 2,552,924 |
| Connection and other fees | - | 11,170 | - | 11,170 |
| Other income | 1,955 | - | - | 1,955 |
| Total operating revenues | <u>1,083,293</u> | <u>1,339,532</u> | <u>143,224</u> | <u>2,566,049</u> |
| Operating Expenses | | | | |
| Personnel services | 170,482 | 159,279 | 40,337 | 370,098 |
| Contractual services | 752,662 | 747,811 | 34,441 | 1,534,914 |
| Maintenance and supplies | 41,487 | 208,847 | 9,867 | 260,201 |
| Depreciation and amortization | 59,004 | 68,000 | 56,950 | 183,954 |
| Total operating expenses | <u>1,023,635</u> | <u>1,183,937</u> | <u>141,595</u> | <u>2,349,167</u> |
| Operating income (loss) | <u>59,658</u> | <u>155,595</u> | <u>1,629</u> | <u>216,882</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Gain on sale of capital asset | 1,045 | - | - | 1,045 |
| Interest revenue | 1,196 | 1,467 | 1,018 | 3,681 |
| Contributions/grants | 56,253 | 50,291 | 91,550 | 198,094 |
| Total nonoperating revenues (expenses) | <u>58,494</u> | <u>51,758</u> | <u>92,568</u> | <u>202,820</u> |
| Change in net assets | <u>118,152</u> | <u>207,353</u> | <u>94,197</u> | <u>419,702</u> |
| Total net assets - beginning, as adjusted | <u>2,482,815</u> | <u>2,715,480</u> | <u>3,016,425</u> | <u>8,214,720</u> |
| Total net assets - ending | <u>\$ 2,600,967</u> | <u>2,922,833</u> | <u>3,110,622</u> | <u>8,634,422</u> |

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, 2012

| | Waste Utility | Water Utility | Storm Utility | Total |
|--|-------------------|------------------|------------------|------------------|
| Cash flows from operating activities | | | | |
| Receipts from customers | \$ 1,064,045 | 1,340,720 | 142,191 | 2,546,956 |
| Payments to suppliers | (775,486) | (969,577) | (53,813) | (1,798,876) |
| Payments to employees | (170,482) | (159,279) | (40,337) | (370,098) |
| Net cash provided (used) by operating activities | <u>118,077</u> | <u>211,864</u> | <u>48,041</u> | <u>377,982</u> |
| Cash flows from noncapital financing activities | | | | |
| Payments from (to) other funds | 25,000 | (25,000) | - | - |
| Net cash provided (used) by noncapital financing activities | <u>25,000</u> | <u>(25,000)</u> | <u>-</u> | <u>-</u> |
| Cash flows from capital and related financing activities | | | | |
| Proceeds from sales of capital assets | 1,045 | - | - | 1,045 |
| Purchases of capital assets | (104,090) | - | (5,000) | (109,090) |
| Net cash provided (used) by capital and related financing activities | <u>(103,045)</u> | <u>-</u> | <u>(5,000)</u> | <u>(108,045)</u> |
| Cash flows from investing activities | | | | |
| Interest and dividends received | 1,196 | 1,467 | 1,018 | 3,681 |
| Net cash provided (used) by investing activities | <u>1,196</u> | <u>1,467</u> | <u>1,018</u> | <u>3,681</u> |
| Net increase (decrease) in cash and cash equivalents | 41,228 | 188,331 | 44,059 | 273,618 |
| Cash and cash equivalents - beginning | 480,859 | 452,123 | 400,633 | 1,333,615 |
| Cash and cash equivalents - ending | <u>\$ 522,087</u> | <u>640,454</u> | <u>444,692</u> | <u>1,607,233</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities | | | | |
| Operating income (loss) | \$ 59,658 | 155,595 | 1,629 | 216,882 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | 59,004 | 68,000 | 56,950 | 183,954 |
| (Increase) decrease in accounts receivable | (19,248) | 1,188 | (1,033) | (19,093) |
| Increase (decrease) in accounts payable | 18,072 | (13,510) | (9,878) | (5,316) |
| Increase (decrease) in accrued liabilities | 591 | 591 | 373 | 1,555 |
| Total adjustments | <u>58,419</u> | <u>56,269</u> | <u>46,412</u> | <u>161,100</u> |
| Net cash provided (used) by operating activities | <u>\$ 118,077</u> | <u>211,864</u> | <u>48,041</u> | <u>377,982</u> |
| Noncash capital and financing activities: | | | | |
| Contribution of capital assets from private developers | \$ 56,253 | 50,291 | 91,550 | 198,094 |

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 (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.

A. Reporting entity

West Point City is a municipal corporation governed by an elected mayor and a five member council. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. However, there are no component units required to be included in the City's financial statements.

Blended Component Unit.

The West Point City Redevelopment Agency (RDA) is governed by the Mayor and City Council. Although it is legally separate from the City, the RDA is reported as if it were part of the primary government because its sole purpose is to redevelop areas within the City thereby generating additional property tax and sales tax. The RDA had no activity, nor balance for this fiscal year.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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.

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies - continued

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

Separate financial statements are provided for governmental funds, enterprise funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. There are no fiduciary funds required to be included in the City's financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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.

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.

Property 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

Note 1 - Summary of Significant Accounting Policies - continued

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 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Note 1 - Summary of Significant Accounting Policies - continued

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 public utility enterprise fund are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of water connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

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.

2. Receivables and payables

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

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectibles.

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies - continued

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 Muni Telecom taxes are also collected by the State Tax Commission and are remitted to the City monthly.

3. 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.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------------------------|--------------|
| 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 |

4. 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 assets.

Note 1 - Summary of Significant Accounting Policies - continued

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.

5. Fund equity/net assets

Government-wide financial statements

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

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

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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 regulations or 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.

Note 1 - Summary of Significant Accounting Policies - continued

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. 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.

Note 2 - Stewardship, Compliance, and Accountability

A. 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 \$15,797.

Utah State law allows for the accumulation of a fund balance in the general fund in an amount equal to 18% of the total estimated revenue of the General Fund for the next year. 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 \$361,772, which is 17.36% of estimated revenue for the coming year.

Note 3 - Detailed Notes on all Funds

A. Deposits and investments

The City maintains cash accounts with local institutions and investment pools with the Utah Public Treasurers' Investment Fund.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirement which an institution must maintain to be eligible to accept public funds.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial credit risk - Deposits. This is the risk that in the event of a bank failure, the government's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2012, \$3,249,671 of the \$3,590,699 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - Investments. This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

As of June 30, 2012, the City had the following deposits and investments:

| <u>Deposit and investment type</u> | <u>Fair value</u> |
|------------------------------------|----------------------------|
| Cash on deposit | \$ 3,590,699 |
| State Treasurer's Investment fund | <u>758,515</u> |
| Total cash and investments | <u><u>\$ 4,349,214</u></u> |

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2012

Note 3 - Detailed Notes on all Funds - continued

Credit risk. This is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The City 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.

For the year ended June 30, 2012, the City had investments of \$758,515 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest rate risk. This is the risk that changes in interest rates of debt investment that will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of credit risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2012, are as follows:

| | |
|---|----------------------------|
| Cash and cash equivalents | \$ 2,921,706 |
| Restricted cash and cash equivalents and investments | <u>2,018,313</u> |
| Total cash and investments | <u><u>\$ 4,940,019</u></u> |

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2012

Note 3 - Detailed Notes on all Funds - continued

B. Receivables

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

| | <u>General</u> | <u>Enterprise</u> | <u>Total</u> |
|-------------------------------|-------------------|-------------------|----------------|
| Accounts | \$ - | 251,237 | 251,237 |
| Property tax | 5,760 | - | 5,760 |
| Sales and energy tax | 181,721 | - | 181,721 |
| B & C road revenue | 56,064 | - | 56,064 |
| Deferred property tax revenue | 313,495 | - | 313,495 |
| Franchise tax | 9,641 | - | 9,641 |
| | <u>\$ 566,681</u> | <u>251,237</u> | <u>817,918</u> |

The enterprise accounts receivable includes \$8,747 in allowance for doubtful accounts for utility services.

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.

C. Capital assets

Capital asset activity for the year ended June 30, 2012 was as follows:

| Primary government | Beginning | | | Ending |
|--|-------------------|------------------|------------------|-------------------|
| Governmental activities | Balance | Increases | Decreases | Balance |
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,909,352 | - | - | 3,909,352 |
| Total capital assets not being depreciated | <u>3,909,352</u> | <u>-</u> | <u>-</u> | <u>3,909,352</u> |
| Capital assets being depreciated | | | | |
| Buildings | 1,921,200 | - | - | 1,921,200 |
| Improvements | 1,391,086 | - | - | 1,391,086 |
| Machinery and equipment | 1,013,383 | 90,897 | (113,000) | 991,280 |
| Infrastructure | 9,380,215 | 244,031 | - | 9,624,246 |
| Total capital assets being depreciated | <u>13,705,884</u> | <u>334,928</u> | <u>(113,000)</u> | <u>13,927,812</u> |

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2012

Note 3 - Detailed Notes on all Funds - continued

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-----------|-----------|-------------------|
| Less accumulated depreciation for | | | | |
| Buildings | \$ 575,337 | 60,710 | - | 636,047 |
| Improvements | 262,230 | 38,595 | - | 300,825 |
| Machinery and equipment | 897,405 | 65,685 | (113,000) | 850,090 |
| Infrastructure | 852,703 | 193,316 | - | 1,046,019 |
| Total accumulated depreciation | 2,587,675 | 358,306 | (113,000) | 2,832,981 |
| Total capital assets, being depreciated, net | 11,118,209 | (23,378) | - | 11,094,831 |
| Governmental activities capital assets, net | \$ 15,027,561 | (23,378) | - | 15,004,183 |
| | | | | |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 158,040 | - | - | 158,040 |
| Total capital assets not being depreciated | 158,040 | - | - | 158,040 |
| Capital assets being depreciated | | | | |
| Buildings | 60,000 | - | - | 60,000 |
| Improvements | 8,002,806 | 302,182 | - | 8,304,988 |
| Machinery and equipment | 382,331 | 5,000 | (5,991) | 381,340 |
| Total capital assets being depreciated | 8,445,137 | 307,182 | (5,991) | 8,746,328 |
| Less accumulated depreciation for | | | | |
| Buildings | 17,223 | 1,905 | - | 19,128 |
| Improvements | 1,335,051 | 169,060 | - | 1,504,111 |
| Machinery and equipment | 347,135 | 12,989 | (5,991) | 354,133 |
| Total accumulated depreciation | 1,699,409 | 183,954 | (5,991) | 1,877,372 |
| Total capital assets, being depreciated, net | 6,745,728 | 123,228 | - | 6,868,956 |
| Business-type activities capital assets, net | \$ 6,903,768 | 123,228 | - | 7,026,996 |

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2012

Note 3 - Detailed Notes on all Funds - continued

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

| | |
|---|--------------------------|
| Governmental activities | |
| General government | \$ 119,180 |
| Public works | 198,941 |
| Parks and community services | <u>40,185</u> |
| Total depreciation expense - governmental activities | <u>358,306</u> |
| Business-type activities | |
| Waste Utility | 59,004 |
| Water Utility | 68,000 |
| Storm Water Utility | <u>56,950</u> |
| Total depreciation expense - business-type activities | <u>183,954</u> |
| Total depreciation expense | <u><u>\$ 542,260</u></u> |

This section intentionally left blank.

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2012

Note 3 - Detailed Notes on all Funds - continued

D. Interfund receivables, payables, and transfers

Individual interfund receivable and payable balances are for what is owed the other fund at June 30, 2012. Public utility portion is for wages paid.

| | Due from Other Funds | Due to Other Funds |
|---------------|-------------------------|-----------------------|
| Waste Utility | \$ 15,000 | - |
| Water Utility | - | 15,000 |
| | \$ 15,000 | \$ 15,000 |

| | Transfers In | | | | |
|-----------------------|-----------------|----------------------------|-----------------------------|-------------------------|---------------------------|
| Transfers Out | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Transfers Out |
| General fund | \$ - | 293,668 | 329,315 | 109,130 | 732,113 |
| Capital Projects Fund | - | - | - | - | - |
| Total transfer in | \$ - | 293,668 | 329,315 | 109,130 | 732,113 |

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.

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2012

Note 3 - Detailed Notes on all Funds - continued

E. Long-term debt

Revenue bonds

The City issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original debt of the Excise Tax Revenue Bonds, Series 2001 was \$1,460,000 with annual principal installments ranging from \$45,000 to \$105,000, beginning July 1, 2002, due on July 1, 2021, interest paid semiannually at 4.3%. During the year the City renegotiated the bonds for a lower interest rate to the current rate of 4.3% from 5.4%. The bond modification also changed the principal due in subsequent years but kept the same maturity date. Revenue bonds outstanding at year end are as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|-------------------------|-----------------------|-------------------|
| 2001 Series, Excise tax | 4.75% | <u>\$ 870,000</u> |

Revenue bond debt service requirements to maturity are as follows:

| <u>For the year ending June 30</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------------|-------------------|-----------------|
| 2013 | \$ 71,000 | 35,884 |
| 2014 | 74,000 | 32,766 |
| 2015 | 78,000 | 29,498 |
| 2016 | 81,000 | 26,080 |
| 2017 | 85,000 | 22,511 |
| 2018-2022 | <u>481,000</u> | <u>53,514</u> |
| Total | <u>\$ 870,000</u> | <u>200,253</u> |

Notes payable

The City entered into a note payable agreement to purchase land for a City park. The remaining debt service requirements are as follows:

| <u>For the year ending June 30</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------------|-------------------|-----------------|
| 2013 | \$ 116,646 | 18,354 |
| 2014 | 122,478 | 12,522 |
| 2015 | <u>127,960</u> | <u>6,398</u> |
| Total | <u>\$ 367,084</u> | <u>37,274</u> |

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2012

Note 3 - Detailed Notes on all Funds - continued

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|------------------------------|----------------------|---------------|------------------|-------------------|------------------------|
| Governmental type activities | | | | | |
| Excise tax revenue bonds \$ | 950,000 | - | (80,000) | 870,000 | 71,000 |
| Notes payable | 478,175 | - | (111,091) | 367,084 | 116,646 |
| Compensated absences | 35,155 | 52,644 | (51,450) | 36,349 | 20,355 |
| Total long-term liabilities | <u>\$ 1,463,330</u> | <u>52,644</u> | <u>(242,541)</u> | <u>1,273,433</u> | <u>208,001</u> |

Note 4 - Other Information

A. 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.

B. Retirement plans

Local Government - Cost Sharing Defined Benefit

Plan Description

West Point City (City) contributes to the Local Government Contributory Retirement System (Contributory System) and Local Governmental Noncontributory Retirement System (Noncontributory System) all of which are cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Note 4 - Other Information - continued

Funding Policy

Plan members required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 10.330% to the Contributory only. West Point City is required to contribute a percent of covered salary to the respective systems, 13.370% to the Noncontributory only. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

West Point City contributions to the various systems for the years ended June 30, 2012, 2011, and 2010 respectively were: for the Contributory, \$2,743, \$0, and \$0; and for the Noncontributory System \$95,930, \$88,656, and \$80,601, respectively. The contributions were equal to the required contributions for each year.

The City also participates in defined contribution plans (401(k) and 457) sponsored and administered by the Utah Retirement Systems. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City's contributions to the 401(k) plan were \$9,187 for the year ended June 30, 2012. The City's contributions to the 457 plan were \$475 for the year ended June 30, 2012.

C. Contingent liabilities

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.

D. Subsequent events

Subsequent events have been evaluated through October 17, 2012, 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.

E. Prior Period Adjustment

During the year management adjusted the estimated useful life of an asset to more accurately reflect its current value. This adjustment resulted in an increase in accumulated depreciation and a decrease in invested in capital assets, net of related debt in the Waste Utility Fund in the amount of \$ 131,520.

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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------|-------------------|---|
| | Original | Final | | |
| <u>Revenues</u> | | | | |
| Interest income | \$ - | - | 2,574 | 2,574 |
| Miscellaneous | 6,000 | 13,870 | 46,075 | 32,205 |
| Total revenues | 6,000 | 13,870 | 48,649 | 34,779 |
| <u>Expenditures</u> | | | | |
| Capital outlay | 90,000 | 613,817 | 64,375 | 549,442 |
| Debt service: | | | | |
| Principal retirement | 111,091 | - | - | - |
| Interest and fiscal charges | 23,909 | - | - | - |
| Total expenditures | 225,000 | 613,817 | 64,375 | 549,442 |
| Excess revenues over (under) expenditures | (219,000) | (599,947) | (15,726) | 584,221 |
| <u>Other financing sources (uses)</u> | | | | |
| Proceeds from sale of capital asset | - | 11,153 | - | (11,153) |
| Transfers in | - | - | 329,315 | 329,315 |
| Total other financing sources and uses | - | 11,153 | 329,315 | 318,162 |
| Net change in fund balance | (219,000) | (588,794) | 313,589 | 902,383 |
| Fund balances - beginning of year | 810,451 | 810,451 | 810,451 | - |
| Fund balances - end of year | \$ 591,451 | 221,657 | 1,124,040 | 902,383 |

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, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|-------------------|----------------|-------------------|---|
| | Original | Final | | |
| <u>Revenues</u> | | | | |
| Interest income | \$ - | - | 286 | 286 |
| Total revenues | - | - | 286 | 286 |
| <u>Expenditures</u> | | | | |
| Debt service: | | | | |
| Principal retirement | 50,000 | 80,000 | 80,000 | - |
| Interest and fiscal charges | 59,130 | 29,130 | 26,648 | 2,482 |
| Total expenditures | 109,130 | 109,130 | 106,648 | 2,482 |
| Excess revenues over (under) expenditures | (109,130) | (109,130) | (106,362) | 2,768 |
| <u>Other financing sources (uses)</u> | | | | |
| Transfers in | 109,130 | 109,130 | 109,130 | - |
| Total other financing sources and uses | 109,130 | 109,130 | 109,130 | - |
| Net change in fund balance | - | - | 2,768 | 2,768 |
| Fund balances - beginning of year | 134,605 | 134,605 | 134,605 | - |
| Fund balances - end of year | <u>\$ 134,605</u> | <u>134,605</u> | <u>137,373</u> | <u>2,768</u> |

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

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West Point City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Prior Year Comparative
General Fund
For the Years Ended June 30, 2012 and 2011

| | June 30, 2012 | June 30, 2011 | Variance Increase (Decrease) Over PY |
|-------------------------------------|------------------|------------------|---|
| <u>Revenues</u> | | | |
| Taxes | | | |
| Property tax - real estate | \$ 316,215 | 311,433 | 4,782 |
| Property tax - vehicles | 35,758 | 33,840 | 1,918 |
| Sales and use taxes | 847,515 | 766,722 | 80,793 |
| Energy & telecom taxes | 471,542 | 469,346 | 2,196 |
| Total taxes | <u>1,671,030</u> | <u>1,581,341</u> | <u>89,689</u> |
| Licenses and permits | | | |
| Business licenses | 14,645 | 11,401 | 3,244 |
| Building permits | 103,868 | 67,514 | 36,354 |
| Total licenses and permits | <u>118,513</u> | <u>78,915</u> | <u>39,598</u> |
| Intergovernmental | | | |
| Class "C" roads | 293,668 | 277,627 | 16,041 |
| State liquor fund allotment | 5,502 | 4,641 | 861 |
| Grants | 1,432 | 325 | 1,107 |
| Total intergovernmental revenue | <u>300,602</u> | <u>282,593</u> | <u>18,009</u> |
| Charges for services | | | |
| Zoning & Subdivision fees | 3,534 | 13,117 | (9,583) |
| Administrative fee - other funds | 50,000 | 30,000 | 20,000 |
| Recreation fees | 83,524 | 77,228 | 6,296 |
| Cemetery | 9,400 | 7,144 | 2,256 |
| Miscellaneous | 37,808 | 42,054 | (4,246) |
| Total charges for services | <u>184,266</u> | <u>169,543</u> | <u>14,723</u> |
| Miscellaneous | | | |
| Proceeds from sale of capital asset | 10,108 | - | 10,108 |
| Donations | 4,335 | 9,975 | (5,640) |
| Interest | 1,735 | 3,386 | (1,651) |
| Total miscellaneous | <u>16,178</u> | <u>13,361</u> | <u>2,817</u> |
| Total revenues | <u>2,290,589</u> | <u>2,125,753</u> | <u>164,836</u> |

West Point City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Prior Year Comparative (continued)
General Fund
For the Year Ended June 30, 2012 and 2011

| | June 30, 2012 | June 30, 2011 | Variance Increase (Decrease) Over PY |
|--|-------------------|--------------------|---|
| <u>Expenditures</u> | | | |
| General government | | | |
| Mayor and council | \$ 48,406 | 142,038 | (93,632) |
| Finance | 245,628 | - | 245,628 |
| Administrative | 357,319 | 363,695 | (6,376) |
| Total general government | <u>651,353</u> | <u>505,733</u> | <u>145,620</u> |
| Public safety | | | |
| Public safety | 118,211 | 129,126 | (10,915) |
| Engineering | - | 28,998 | (28,998) |
| Planning and development | 126,112 | 88,550 | 37,562 |
| Total public safety | <u>244,323</u> | <u>246,674</u> | <u>(2,351)</u> |
| Streets and public works | | | |
| Public works | 370,378 | 426,530 | (56,152) |
| Total streets and public works | <u>370,378</u> | <u>426,530</u> | <u>(56,152)</u> |
| Parks and recreation | | | |
| Parks and cemetery | 96,812 | 93,862 | 2,950 |
| Recreation | 166,008 | 155,549 | 10,459 |
| Total parks and recreation | <u>262,820</u> | <u>249,411</u> | <u>13,409</u> |
| Total expenditures | <u>1,528,874</u> | <u>1,428,348</u> | <u>100,526</u> |
| Excess revenues over (under) expenditures | <u>761,715</u> | <u>697,405</u> | <u>64,310</u> |
| <u>Other financing sources (uses)</u> | | | |
| Transfers in | - | 52,000 | (52,000) |
| Transfers (out) | (732,113) | (1,302,094) | 569,981 |
| Total other financing sources and uses | <u>(732,113)</u> | <u>(1,250,094)</u> | <u>517,981</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | 29,602 | (552,689) | 582,291 |
| Fund balances - beginning of year | <u>342,530</u> | <u>895,219</u> | <u>(552,689)</u> |
| Fund balances - end of year | <u>\$ 372,132</u> | <u>342,530</u> | <u>29,602</u> |

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

OTHER REPORTS

Ulrich & Associates, PC

Certified Public Accountants

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
West Point City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of West Point City as of and for the year ended June 30, 2012, which collectively comprise West Point City's basic financial statements and have issued our report thereon dated October 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of West Point City, is responsible for establishing and maintaining effective 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 over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 October 17, 2012.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Ulrich & Associates, P.C.

October 17, 2012

Ulrich & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

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

We have audited West Point City's compliance with the general and major state program compliance requirements described in the *State of Utah Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the City are identified as follows:

| | |
|--------------------------------|---------------------------------|
| Public Debt | B & C Road Funds |
| Cash Management | Other General Issues |
| Purchasing Requirements | Uniform Building Code Standards |
| Budgetary Compliance | Impact Fees |
| Truth in Taxation & Property | Asset Forfeiture |
| Tax Limitations | URS Compliance |
| Alcoholic Beverage Enforcement | Fund Balance |

The City received the following major assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. 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. Our audit does not provide a legal determination on the City's compliance with these requirements.

Members of Utah Association of CPAs | American Institute of CPAs

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In our opinion, West Point City, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2012.

This report is intended solely for the information and use of management of the City and is not intended to be and should not be used by anyone other than the specified parties. However, the report is a matter of public record and its distribution is not limited.

Whitely & Associates, P.C.

October 17, 2012