

# **West Point City**

## **Annual Financial Statements**

**With Auditors' Report Thereon**

**For the Year Ended June 30, 2013**

# 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

**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, 2013, 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, 2013, 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 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 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 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 October 24, 2013 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.

A handwritten signature in cursive script that reads "Ulrich & Associates, PC".

October 24, 2013

**West Point City**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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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, 2013.

Financial Highlights

- ◆ The City's total net position of \$28,395,357 is made up of \$23,574,237 in capital assets, less related debt of \$1,049,438, and other net position of \$5,870,558. Of the total net position amount, \$3,396,863 may be used to meet the ongoing obligations of the City, while \$2,473,695 are restricted for specific purposes.
- ◆ The City's total net position increased by 9.7% (\$25,883,082 to \$28,395,357).
- ◆ The City's governmental funds reported combined ending fund balances of \$4,145,768, an increase of \$631,283 over the prior year. Of the total fund balance, \$461,514 (unassigned fund balance) is available to spend at the government's discretion.
- ◆ In the enterprise funds, total net position increased by \$1,020,536 during the current year.
- ◆ Total debt of the City was reduced by \$179,691 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 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 position. 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.

**West Point City**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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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, 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.

**West Point City**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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 exceeded liabilities by \$28,395,357, an increase of \$2,512,275 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	
	2013	2012	2013	2012
<b>Assets</b>				
Current and other assets	\$ 4,616,039	3,909,827	2,503,883	1,858,470
Capital assets	15,685,882	15,004,183	7,888,355	7,026,996
<b>Total assets</b>	<b>20,301,921</b>	<b>18,914,010</b>	<b>10,392,238</b>	<b>8,885,466</b>
<b>Deferred Outflows</b>				
Deferred issuance costs	19,670	22,130	-	-
<b>Total deferred outflows</b>	<b>19,670</b>	<b>22,130</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
Long-term debt outstanding	1,093,742	1,273,433	-	-
Other liabilities	149,480	100,552	737,280	251,044
<b>Total liabilities</b>	<b>1,243,222</b>	<b>1,373,985</b>	<b>737,280</b>	<b>251,044</b>
<b>Deferred Inflows</b>				
Deferred property tax	337,970	313,495	-	-
<b>Total deferred inflows</b>	<b>337,970</b>	<b>313,495</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>				
Invested in capital assets, Net of debt	14,636,444	13,767,099	7,888,355	7,026,996
Restricted	2,473,695	2,018,313	-	-
Unrestricted	1,630,260	1,463,248	1,766,603	1,607,426
<b>Total Net Position</b>	<b>\$ 18,740,399</b>	<b>17,248,660</b>	<b>9,654,958</b>	<b>8,634,422</b>

**West Point City**  
**Management's Discussion and Analysis**  
**June 30, 2013**

Changes in Net Position

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 911,217	705,553	2,706,328	2,566,049
Operating grants & Contributions	305,138	300,602	-	-
Capital grants & contribution	838,539	244,031	716,701	198,094
<b>General revenues</b>				
Property taxes	376,534	351,973	-	-
General sales & use tax	896,250	847,515	-	-
Energy & telecom tax	498,640	471,542	-	-
Interest income	14,897	7,260	6,860	3,681
Miscellaneous	(12,679)	10,108	-	1,045
<b>Total revenues</b>	<b>3,828,536</b>	<b>2,938,584</b>	<b>3,429,889</b>	<b>2,768,869</b>
<b>Expenses</b>				
General government	\$ 732,610	774,187	-	-
Public safety/court	259,084.00	244,323	-	-
Highways/public works	817,854.00	661,559	-	-
Parks & recreation	474,537.44	380,049	-	-
Interest long-term debt	52,712.00	62,454	-	-
Waste utility	-	-	1,093,051	1,023,635
Water utility	-	-	1,188,418	1,183,937
Storm water utility	-	-	127,884	141,595
<b>Total expenses</b>	<b>2,336,797</b>	<b>2,122,572</b>	<b>2,409,353</b>	<b>2,349,167</b>
Increase (decrease) in net position	1,491,739	816,012	1,020,536	419,702
Net position, beginning of year	17,248,660	16,432,648	8,634,422	8,214,720
Net position, end of year	\$ 18,740,399	\$ 17,248,660	\$ 9,654,958	\$ 8,634,422

**West Point City**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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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, 2013, the City's general fund reported a fund balance of \$488,344. This represents an increase of \$116,212 from last year's ending balance. The increase is due, in part, to increased sales tax and other revenue along with expenditures coming in below budget.

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 75% of total general fund revenues, which is consistent with prior years. The largest element of tax revenue is sales tax. Sales tax is 38%, property tax is 16%, and energy & telecommunication tax is 21% of general fund revenue.

Licenses and Permits revenue in the General Fund is down 15% compared to Fiscal Year 2012. However, impact fee revenues in the Special Revenue Fund increased by 70%. This is due to an increase in impact fee rates.

General Fund Budgetary Highlights

During Fiscal Year 2013, General Fund budgeted expenditures were amended from an original budget of \$1,726,682 to a final budget of \$1,737,318 for an increase of \$10,636 or .6%. 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 in governmental activities had a net increase of \$681,699, which includes a depreciation expense of \$318,811. Capital assets in business-type activities had a net increase of \$861,363, which includes a depreciation expense of \$121,382. Major capital expenditures in Fiscal Year 2013 include remodeling the City Hall, installation of a waterline on 300 North, installation of a sewer line on 4500 West, and \$200,000 of road improvements throughout the City.

**West Point City**  
**Management's Discussion and Analysis**  
**June 30, 2013**

<u>West Point City's Capital Assets</u>		
	Government Activities 2013	Business-Type Activities 2013
	<u>                    </u>	<u>                    </u>
Land	\$ 3,909,352	\$ 158,040
Buildings	1,963,614	60,000
Improvements	1,423,478	9,304,154
Machinery and equipment	1,045,687	364,915
Infrastructure	10,495,543	-
Less: Accumulated Depreciation	<u>(3,151,792)</u>	<u>(1,998,754)</u>
Total	<u><u>\$ 15,685,882</u></u>	<u><u>\$ 7,888,355</u></u>

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

*Long-term Debt*

At June 30, 2013, the City has total bonded debt outstanding of \$799,000. This debt is secured solely by specific revenue sources (i.e., revenue bonds). It also has a note payable outstanding of \$250,438.

<u>West Point City's Long-Term Debt</u>	
	Government Activities 2013
	<u>                    </u>
Excise tax revenue bonds	\$ 799,000
Note payable	250,438
Compensated absences	44,304
	<u><u>\$ 1,093,742</u></u>

The City's total debt decreased by \$179,691 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, 2013**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 1,512,901	2,256,195	3,769,096
Restricted cash and cash equivalents	2,473,695	-	2,473,695
Accounts receivable - net	602,613	247,688	850,301
Prepaid expenses	26,830	-	26,830
Capital assets (net of accumulated depreciation)			
Land	3,909,352	158,040	4,067,392
Buildings	1,266,857	38,968	1,305,825
Improvements	1,083,054	7,629,229	8,712,283
Machinery and equipment	173,941	62,118	236,059
Infrastructure	9,252,678	-	9,252,678
<b>Total assets</b>	<b>20,301,921</b>	<b>10,392,238</b>	<b>30,694,159</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred issuance costs	19,670	-	19,670
Total deferred outflows of resources	19,670	-	19,670
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	122,223	737,280	859,503
Other current liabilities	27,257	-	27,257
Noncurrent liabilities:			
Due within one year	240,782	-	240,782
Due in more than one year	852,960	-	852,960
<b>Total liabilities</b>	<b>1,243,222</b>	<b>737,280</b>	<b>1,980,502</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue- property taxes	337,970	-	337,970
Total deferred inflows of resources	337,970	-	337,970
<b><u>Net Position</u></b>			
Invested in capital assets, net of related debt	14,636,444	7,888,355	22,524,799
Restricted for impact fees	1,483,283	-	1,483,283
Restricted for debt service	137,806	-	137,806
Restricted for Class C road	852,606	-	852,606
Unrestricted	1,630,260	1,766,603	3,396,863
<b>Total net position</b>	<b>\$ 18,740,399</b>	<b>9,654,958</b>	<b>28,395,357</b>

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, 2013

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenues & Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 732,610	234,908	-	-	\$ (497,702)		(497,702)
Public safety	259,084	-	5,471	-	(253,613)		(253,613)
Streets and public works	817,854	599,481	299,667	838,539	919,833		919,833
Parks and recreation	474,537	76,828	-	-	(397,709)		(397,709)
Interest on long-term debt	52,712	-	-	-	(52,712)		(52,712)
Total governmental activities	<u>2,336,797</u>	<u>911,217</u>	<u>305,138</u>	<u>838,539</u>	<u>(281,903)</u>		<u>(281,903)</u>
Business-type activities							
Waste utility	1,093,051	1,166,612	-	119,770		193,331	193,331
Water utility	1,188,418	1,391,024	-	316,667		519,273	519,273
Storm water utility	127,884	148,692	-	280,264		301,072	301,072
Total business-type activities	<u>2,409,353</u>	<u>2,706,328</u>	<u>-</u>	<u>716,701</u>		<u>1,013,676</u>	<u>1,013,676</u>
Total primary government	<u>\$ 4,746,150</u>	<u>3,617,545</u>	<u>305,138</u>	<u>1,555,240</u>	<u>(281,903)</u>	<u>1,013,676</u>	<u>731,773</u>
		General revenues					
					376,534	-	376,534
					896,250	-	896,250
					498,640	-	498,640
					(12,679)	-	(12,679)
					14,897	6,860	21,757
					<u>1,773,642</u>	<u>6,860</u>	<u>1,780,502</u>
					1,491,739	1,020,536	2,512,275
					17,248,660	8,634,422	25,883,082
					<u>\$ 18,740,399</u>	<u>9,654,958</u>	<u>28,395,357</u>

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, 2013**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 257,573	63,087	1,192,241	-	1,512,901
Restricted cash and cash equivalents	-	2,335,889	-	137,806	2,473,695
Receivables					
Property, sales, & energy tax	190,781	-	-	-	190,781
Class C roads	64,104	-	-	-	64,104
Telecommunications	9,758	-	-	-	9,758
Deferred property taxes	337,970	-	-	-	337,970
Prepaid expense	26,830	-	-	-	26,830
Total assets	<u>887,016</u>	<u>2,398,976</u>	<u>1,192,241</u>	<u>137,806</u>	<u>4,616,039</u>
<b><u>Liabilities</u></b>					
Liabilities					
Accounts payable	33,445	63,087	8,512	-	105,044
Accrued liabilities	27,257	-	-	-	27,257
Total liabilities	<u>60,702</u>	<u>63,087</u>	<u>8,512</u>	<u>-</u>	<u>132,301</u>
<b><u>Deferred Inflows of Resources</u></b>					
Unavailable revenue- property taxes	337,970	-	-	-	337,970
Total deferred inflows of resources	<u>337,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337,970</u>
<b><u>Fund Balances</u></b>					
Nonspendable	26,830	-	-	-	26,830
Restricted:					
Class C roads	-	852,606	-	-	852,606
Impact fees	-	1,483,283	-	-	1,483,283
Debt service	-	-	-	137,806	137,806
Committed	-	-	1,183,729	-	1,183,729
Unassigned	461,514	-	-	-	461,514
Total fund balances	<u>488,344</u>	<u>2,335,889</u>	<u>1,183,729</u>	<u>137,806</u>	<u>4,145,768</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 887,016</u>	<u>2,398,976</u>	<u>1,192,241</u>	<u>137,806</u>	<u>4,616,039</u>

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, 2013**

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

Total fund balances - governmental fund types \$ 4,145,768

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

	Cost of capital assets	18,837,674	
	Accumulated depreciation	<u>(3,151,792)</u>	
			<u>15,685,882</u>

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	19,670	
	Bond interest payable	(17,179)	
	Bonds payable	(799,000)	
	Notes payable	(250,438)	
	Compensated absences	<u>(44,304)</u>	
			<u>(1,091,251)</u>

Net position of government activities \$ 18,740,399

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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, 2013**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b><u>Revenues</u></b>					
Taxes	\$ 1,771,424	-	-	-	1,771,424
Licenses and permits	101,310	-	-	-	101,310
Charges for services	170,551	-	-	-	170,551
Impact fees	-	599,481	-	-	599,481
Intergovernmental	305,138	-	-	-	305,138
Interest	2,680	7,649	4,135	433	14,897
Miscellaneous revenue	6,720	-	33,155	-	39,875
Total revenues	<u>2,357,823</u>	<u>607,130</u>	<u>37,290</u>	<u>433</u>	<u>3,002,676</u>
<b><u>Expenditures</u></b>					
Current					
General government	586,910	-	-	-	586,910
Public safety	259,084	-	-	-	259,084
Streets and public works	381,396	261,678	-	-	643,074
Parks and recreation	252,800	185,670	-	-	438,470
Capital outlay	59,139	4,500	138,332	-	201,971
Debt service					
Principal retirement	-	-	116,646	71,000	187,646
Interest and fiscal charges	-	-	18,354	35,884	54,238
Total expenditures	<u>1,539,329</u>	<u>451,848</u>	<u>273,332</u>	<u>106,884</u>	<u>2,371,393</u>
Excess revenues over (under) expenditures	<u>818,494</u>	<u>155,282</u>	<u>(236,042)</u>	<u>(106,451)</u>	<u>631,283</u>
<b><u>Other financing sources (uses)</u></b>					
Transfers in	-	299,667	295,731	106,884	702,282
Transfers (out)	(702,282)	-	-	-	(702,282)
Total other financing sources and uses	<u>(702,282)</u>	<u>299,667</u>	<u>295,731</u>	<u>106,884</u>	<u>-</u>
Net change in fund balances	116,212	454,949	59,689	433	631,283
Fund balance - beginning 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>
Fund balance - end of year	<u>\$ 488,344</u>	<u>2,335,889</u>	<u>1,183,729</u>	<u>137,806</u>	<u>4,145,768</u>

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, 2013

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

Net changes in fund balances - total governmental funds \$ 631,283

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	197,471	
Depreciation expense	<u>(341,632)</u>	(144,161)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets. (12,679)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 838,539

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.

Bond cost amortization	(2,460)	
Retirement of long-term debt	<u>187,646</u>	185,186

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	(7,955)	
Accrued interest	<u>1,526</u>	
		<u>(6,429)</u>

Change in net position of governmental activities \$ 1,491,739

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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b><u>Revenues</u></b>				
Taxes				
Property tax - real estate	\$ 310,000	313,495	334,893	21,398
Property tax - vehicles	35,000	35,000	41,641	6,641
Sales and use taxes	775,000	775,000	896,250	121,250
Energy and franchise taxes	454,000	454,000	498,640	44,640
Total taxes	<u>1,574,000</u>	<u>1,577,495</u>	<u>1,771,424</u>	<u>193,929</u>
Licenses and permits				
Business licenses	12,000	12,000	10,837	(1,163)
Building permits	70,000	70,000	90,473	20,473
Total licenses and permits	<u>82,000</u>	<u>82,000</u>	<u>101,310</u>	<u>19,310</u>
Intergovernmental				
Class C roads	250,000	250,000	299,667	49,667
State liquor fund allotment	4,500	4,500	5,471	971
Total intergovernmental revenue	<u>254,500</u>	<u>254,500</u>	<u>305,138</u>	<u>50,638</u>
Charges for services				
Zoning and subdivision fees	2,000	2,000	9,246	7,246
Administrative fee - other funds	50,000	50,000	50,000	-
Recreation fees	84,000	87,000	76,828	(10,172)
Cemetery	3,000	6,000	9,800	3,800
Miscellaneous	29,000	30,000	24,677	(5,323)
Total charges for services	<u>168,000</u>	<u>175,000</u>	<u>170,551</u>	<u>(4,449)</u>
Miscellaneous				
Donations	-	-	1,700	1,700
Miscellaneous	5,000	5,000	5,020	20
Interest	1,000	1,000	2,680	1,680
Total miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>9,400</u>	<u>3,400</u>
Total revenues	<u>\$ 2,084,500</u>	<u>2,094,995</u>	<u>2,357,823</u>	<u>262,828</u>

**West Point City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (continued)**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b><u>Expenditures</u></b>				
General government				
Mayor and council	\$ 57,631	57,631	49,132	8,499
Finance	261,000	262,200	214,128	48,072
Administrative	416,183	417,119	341,789	75,330
Total general government	734,814	736,950	605,049	131,901
Public safety				
Public safety	139,488	139,488	120,308	19,180
Planning and development	149,638	149,638	138,776	10,862
Total public safety	289,126	289,126	259,084	30,042
Streets and public works				
Public works	398,118	398,118	381,396	16,722
Total streets and public works	398,118	398,118	381,396	16,722
Parks and recreation				
Parks and cemetery	117,173	117,173	117,126	47
Recreation	187,451	195,951	176,674	19,277
Total parks and recreation	304,624	313,124	293,800	19,324
Total expenditures	1,726,682	1,737,318	1,539,329	197,989
Excess revenues over (under) expenditures	357,818	357,677	818,494	460,817
<b><u>Other financing sources (uses)</u></b>				
Transfers (out)	(356,884)	(356,884)	(702,282)	(345,398)
Total other financing sources and uses	(356,884)	(356,884)	(702,282)	(345,398)
Net change in fund balance	934	793	116,212	115,419
Fund balances - beginning of year	372,132	372,132	372,132	-
Fund balances - end of year	\$ 373,066	372,925	488,344	115,419

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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b><u>Revenues</u></b>				
Impact fees	\$ 110,320	543,458	599,481	56,023
Grants	36,000	36,000	-	(36,000)
Interest income	-	-	7,649	7,649
Total revenues	146,320	579,458	607,130	27,672
<b><u>Expenditures</u></b>				
Class C road expenditures	250,000	751,275	201,124	550,151
Streets and public works	34,030	589,510	60,554	528,956
Parks and recreation	23,810	223,045	7,547	215,498
Intergovernmental	32,190	134,963	178,123	(43,160)
Capital outlay	20,290	681,534	4,500	677,034
Total expenditures	360,320	2,380,327	451,848	1,928,479
Excess revenues over (under) expenditures	(214,000)	(1,800,869)	155,282	1,956,151
<b><u>Other financing sources (uses)</u></b>				
Transfers in	250,000	293,668	299,667	5,999
Total other financing sources and uses	250,000	293,668	299,667	5,999
Net change in fund balance	36,000	(1,507,201)	454,949	1,962,150
Fund balances - beginning of year	1,880,940	1,880,940	1,880,940	-
Fund balances - end of year	\$ 1,916,940	373,739	2,335,889	1,962,150

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

**West Point City**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	Business-Type Activities - Enterprise Funds			
	Waste Utility	Water Utility	Storm Utility	Total
<b><u>Assets</u></b>				
Current assets				
Cash and cash equivalents	\$ 866,055	856,373	533,767	2,256,195
Accounts receivable - net	110,275	122,606	14,807	247,688
Due from other funds	-	-	-	-
Total current assets	<u>976,330</u>	<u>978,979</u>	<u>548,574</u>	<u>2,503,883</u>
Noncurrent assets				
Land, equipment, buildings and improvements	3,443,202	3,233,699	3,210,208	9,887,109
Less: Accumulated depreciation	<u>(1,076,220)</u>	<u>(588,630)</u>	<u>(333,904)</u>	<u>(1,998,754)</u>
Total noncurrent assets	<u>2,366,982</u>	<u>2,645,069</u>	<u>2,876,304</u>	<u>7,888,355</u>
Total assets	<u>3,343,312</u>	<u>3,624,048</u>	<u>3,424,878</u>	<u>10,392,238</u>
<b><u>Liabilities</u></b>				
Current liabilities				
Accounts payable	533,591	166,356	7,347	707,294
Accrued liabilities	<u>12,952</u>	<u>12,952</u>	<u>4,082</u>	<u>29,986</u>
Total current liabilities	<u>546,543</u>	<u>179,308</u>	<u>11,429</u>	<u>737,280</u>
Total liabilities	<u>546,543</u>	<u>179,308</u>	<u>11,429</u>	<u>737,280</u>
<b><u>Net Position</u></b>				
Invested in capital assets, net of related debt	2,366,982	2,645,069	2,876,304	7,888,355
Unrestricted	<u>429,787</u>	<u>799,671</u>	<u>537,145</u>	<u>1,766,603</u>
Total net position	<u>\$ 2,796,769</u>	<u>3,444,740</u>	<u>3,413,449</u>	<u>9,654,958</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 Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

	Business-Type Activities - Enterprise Funds			
	Waste Utility	Water Utility	Storm Utility	Total
<b>Operating Revenues</b>				
Charges for services	\$ 1,157,092	1,376,104	148,692	2,681,888
Connection and other fees	-	14,350	-	14,350
Other income	9,520	570	-	10,090
<b>Total operating revenues</b>	<b>1,166,612</b>	<b>1,391,024</b>	<b>148,692</b>	<b>2,706,328</b>
<b>Operating Expenses</b>				
Personnel services	163,519	154,746	36,272	354,537
Contractual services	821,755	741,384	31,654	1,594,793
Maintenance and supplies	44,960	227,752	1,303	274,015
Depreciation and amortization	62,817	64,536	58,655	186,008
<b>Total operating expenses</b>	<b>1,093,051</b>	<b>1,188,418</b>	<b>127,884</b>	<b>2,409,353</b>
<b>Operating income (loss)</b>	<b>73,561</b>	<b>202,606</b>	<b>20,808</b>	<b>296,975</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest revenue	2,471	2,634	1,755	6,860
Contributions/grants	119,770	316,667	280,264	716,701
<b>Total nonoperating revenues (expenses)</b>	<b>122,241</b>	<b>319,301</b>	<b>282,019</b>	<b>723,561</b>
<b>Change in net position</b>	<b>195,802</b>	<b>521,907</b>	<b>302,827</b>	<b>1,020,536</b>
<b>Total net position - beginning</b>	<b>2,600,967</b>	<b>2,922,833</b>	<b>3,110,622</b>	<b>8,634,422</b>
<b>Total net position - ending</b>	<b>\$ 2,796,769</b>	<b>3,444,740</b>	<b>3,413,449</b>	<b>9,654,958</b>

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, 2013**

	Waste Utility	Water Utility	Storm Utility	Total
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 1,169,185	1,391,770	148,926	2,709,881
Payments to suppliers	(452,895)	(904,343)	(25,334)	(1,382,572)
Payments to employees	(163,519)	(154,746)	(36,272)	(354,537)
Net cash provided (used) by operating activities	<u>552,771</u>	<u>332,681</u>	<u>87,320</u>	<u>972,772</u>
<b>Cash flows from noncapital financing activities</b>				
Payments from (to) other funds	15,000	(15,000)	-	-
Net cash provided (used) by noncapital financing activities	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>				
Purchases of capital assets	(226,274)	(104,396)	-	(330,670)
Net cash provided (used) by capital and related financing activities	<u>(226,274)</u>	<u>(104,396)</u>	<u>-</u>	<u>(330,670)</u>
<b>Cash flows from investing activities</b>				
Interest and dividends received	2,471	2,634	1,755	6,860
Net cash provided (used) by investing activities	<u>2,471</u>	<u>2,634</u>	<u>1,755</u>	<u>6,860</u>
Net increase (decrease) in cash and cash equivalents	343,968	215,919	89,075	648,962
Cash and cash equivalents - beginning	<u>522,087</u>	<u>640,454</u>	<u>444,692</u>	<u>1,607,233</u>
Cash and cash equivalents - ending	<u>\$ 866,055</u>	<u>856,373</u>	<u>533,767</u>	<u>2,256,195</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 73,561	202,606	20,808	296,975
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	62,817	64,536	58,655	186,008
(Increase) decrease in accounts receivable	2,573	746	234	3,553
Increase (decrease) in accounts payable	412,036	63,009	7,208	482,253
Increase (decrease) in accrued liabilities	1,784	1,784	415	3,983
Total adjustments	<u>479,210</u>	<u>130,075</u>	<u>66,512</u>	<u>675,797</u>
Net cash provided (used) by operating activities	<u>\$ 552,771</u>	<u>332,681</u>	<u>87,320</u>	<u>972,772</u>
<b>Noncash capital and financing activities:</b>				
Contribution of capital assets from private developers	\$ 119,770	316,667	280,264	716,701

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

## **NOTES TO FINANCIAL STATEMENTS**

**West Point City**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

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**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.

**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 (RDA)

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 special revenue funds.

**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.

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

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**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).

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

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**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.

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

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**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.

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.

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

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**Note 1 - Summary of Significant Accounting Policies - continued**

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.

4. Restricted cash and cash equivalents

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

5. 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.

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies - continued**

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:

<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

6. 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. The government only has one item that qualifies for reporting in this category. It is the deferred charge on issuance costs reported in the government-wide statement of net position. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt .

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

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**Note 1 - Summary of Significant Accounting Policies - continued**

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. The City has only one type of deferred inflow of resources. 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.

7. 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. 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.

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.

**Note 1 - Summary of Significant Accounting Policies - continued**

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:

*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 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 do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

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**Note 1 - Summary of Significant Accounting 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 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.

*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 320 hours may carryover into the next year and is paid upon termination.

One-third of all sick leave accrued between December 1st and November 30th of the preceding year, may be converted to annual leave, provided that any sick leave used during the year will be deducted from that one-third. Annual leave may be converted to sick leave to offset any sick leave used during the year.

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.

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

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**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 \$10,636.

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 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 \$490,007 which is 22.60% of estimated revenue for the coming year.

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

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**Note 3 - Detailed Notes on all Funds**

**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, 2013, \$1,131,331 of the \$1,631,331 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, 2013, the City had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair value</u>
Cash on deposit	\$ 1,631,331
State Treasurer's Investment fund	<u>4,289,945</u>
Total cash and investments	<u><u>\$ 5,921,276</u></u>

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

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**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, 2013, the City had investments of \$4,289,945 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, 2013, are as follows:

Cash and cash equivalents	\$ 3,769,096
Restricted cash and cash equivalents and investments	<u>2,473,695</u>
Total cash and investments	<u><u>\$ 6,242,791</u></u>

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

**Note 3 - Detailed Notes on all Funds - continued**

Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectable) line for certain funds and aggregated columns. Below is the detail of receivables for the general and enterprise funds and the nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts:

	General	Enterprise	Total
Accounts	\$ -	252,665	252,665
Less: Allowance for uncollectable		(4,977)	(4,977)
Property tax	5,512	-	5,512
Sales and energy tax	185,269	-	185,269
B & C road revenue	64,104	-	64,104
Deferred property tax revenue	337,970	-	337,970
Franchise tax	9,758	-	9,758
	<u>\$ 602,613</u>	<u>247,688</u>	<u>850,301</u>

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.

Capital assets

Capital asset activity for the year ended June 30, 2013 was as follows:

<b>Primary government</b>	Beginning			Ending
<b>Governmental activities</b>	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	42,414	-	1,963,614
Improvements	1,391,086	32,392	-	1,423,478
Machinery and equipment	991,280	89,907	(35,500)	1,045,687
Infrastructure	9,624,246	871,297	-	10,495,543
Total capital assets being depreciated	<u>13,927,812</u>	<u>1,036,010</u>	<u>(35,500)</u>	<u>14,928,322</u>

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

**Note 3 - Detailed Notes on all Funds - continued**

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for				
Buildings	\$ 636,047	60,710	-	696,757
Improvements	300,825	39,599	-	340,424
Machinery and equipment	850,090	44,477	(22,821)	871,746
Infrastructure	1,046,019	196,846	-	1,242,865
Total accumulated depreciation	2,832,981	341,632	(22,821)	3,151,792
Total capital assets, being depreciated, net	11,094,831	694,378	(12,679)	11,776,530
Governmental activities capital assets, net	\$ 15,004,183	694,378	(12,679)	15,685,882
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
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	8,304,984	999,170	-	9,304,154
Machinery and equipment	381,340	48,201	(64,626)	364,915
Total capital assets being depreciated	8,746,324	1,047,371	(64,626)	9,729,069
Less accumulated depreciation for				
Buildings	19,127	1,905	-	21,032
Improvements	1,503,458	171,467	-	1,674,925
Machinery and equipment	354,787	12,636	(64,626)	302,797
Total accumulated depreciation	1,877,372	186,008	(64,626)	1,998,754
Total capital assets, being depreciated, net	6,868,952	861,363	-	7,730,315
Business-type activities capital assets, net	\$ 7,026,992	861,363	-	7,888,355

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

**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	\$ 135,285
Public works	170,280
Parks and community services	36,067
Total depreciation expense - governmental activities	341,632
Business-type activities	
Waste Utility	62,817
Water Utility	64,536
Storm Water Utility	58,655
Total depreciation expense - business-type activities	186,008
Total depreciation expense	\$ 527,640

<u>Interfund transfers</u>	<u>Transfers In</u>				<u>Total</u>
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Transfers Out
Transfers Out					
General fund	\$ -	299,667	295,731	106,884	702,282
Total transfer in	\$ -	299,667	295,731	106,884	702,282

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.

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

**Note 3 - Detailed Notes on all Funds - continued**

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>\$ 799,000</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>
2014	\$ 74,000	32,766
2015	78,000	29,498
2016	81,000	26,080
2017	85,000	22,511
2018	88,000	18,791
2019-2023	<u>393,000</u>	<u>34,723</u>
Total	<u>\$ 799,000</u>	<u>164,369</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>
2014	\$ 122,478	12,522
2015	<u>127,960</u>	<u>6,398</u>
Total	<u>\$ 250,438</u>	<u>18,920</u>

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

**Note 3 - Detailed Notes on all Funds - continued**

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental type activities					
Excise tax revenue bonds \$	870,000	-	(71,000)	799,000	74,000
Notes payable	367,084	-	(116,646)	250,438	122,478
Compensated absences	36,349	69,600	(61,645)	44,304	24,810
Total long-term liabilities	<u>\$ 1,273,433</u>	<u>69,600</u>	<u>(249,291)</u>	<u>1,093,742</u>	<u>221,288</u>

**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.

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) for employees which provides retirement benefits, annual cost of living adjustments, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes. West Point City is affiliated with the Utah Retirement System, an agent multiple-employer and cost-sharing multiple-employer pension plan administrator. The Utah State Retirement Act in Chapter 49 provides for the benefits and 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 West Point City. A copy of the report may be obtained by writing the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2013**

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**Note 4 - Other Information - continued**

*Funding Policy*

West Point City's members are 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. The City is required to contribute a percent of covered salary to the respective systems, 12.740% to the Contributory, and 16.040% to the Noncontributory. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

For 2013, West Point City's annual pension cost of \$117,619 was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2010 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases are assumed to increase 4.50% (3.50% from inflation, 1.00% from productivity), (c) 2.5% cost of living adjustment. Both (a) and (b) include an inflation component of 3.50%. The actuarial value of West Point City's pension assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a 5-year period. Amortization payments are designed to remain level as a percent of payroll.

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 \$11,259 for the year ended June 30, 2013. The City's contributions to the 457 plan were \$658 for the year ended June 30, 2013.

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.

Subsequent events

Subsequent events have been evaluated through October 24, 2013, 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.

## **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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b><u>Revenues</u></b>				
Interest income	\$ -	-	4,135	4,135
Miscellaneous	-	151,924	33,155	(118,769)
Total revenues	-	151,924	37,290	(114,634)
<b><u>Expenditures</u></b>				
Capital outlay	130,000	730,242	138,332	591,910
Debt service:				
Principal retirement	116,646	116,646	116,646	-
Interest and fiscal charges	18,354	18,354	18,354	-
Total expenditures	265,000	865,242	273,332	591,910
Excess revenues over (under) expenditures	(265,000)	(713,318)	(236,042)	477,276
<b><u>Other financing sources (uses)</u></b>				
Transfers in	-	-	295,731	295,731
Total other financing sources and uses	-	-	295,731	295,731
Net change in fund balance	(265,000)	(713,318)	59,689	773,007
Fund balances - beginning of year	1,124,040	1,124,040	1,124,040	-
Fund balances - end of year	\$ 859,040	410,722	1,183,729	773,007

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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b><u>Revenues</u></b>				
Interest income	\$ -	-	433	433
Total revenues	-	-	433	433
<b><u>Expenditures</u></b>				
Debt service:				
Principal retirement	71,000	71,000	71,000	-
Interest and fiscal charges	35,884	35,884	35,884	-
Total expenditures	106,884	106,884	106,884	-
Excess revenues over (under) expenditures	(106,884)	(106,884)	(106,451)	433
<b><u>Other financing sources (uses)</u></b>				
Transfers in	106,884	106,884	106,884	-
Total other financing sources and uses	106,884	106,884	106,884	-
Net change in fund balance	-	-	433	433
Fund balances - beginning of year	137,373	137,373	137,373	-
Fund balances - end of year	<u>\$ 137,373</u>	<u>137,373</u>	<u>137,806</u>	<u>433</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**  
**Prior Year Comparative**  
**General Fund**  
**For the Years Ended June 30, 2013 and 2012**

	June 30, 2013	June 30, 2012	<u>Variance</u> Increase (Decrease) Over PY
<b><u>Revenues</u></b>			
Taxes			
Property tax - real estate	\$ 334,893	316,215	18,678
Property tax - vehicles	41,641	35,758	5,883
Sales and use taxes	896,250	847,515	48,735
Energy & telecom taxes	498,640	471,542	27,098
Total taxes	<u>1,771,424</u>	<u>1,671,030</u>	<u>100,394</u>
Licenses and permits			
Business licenses	10,837	14,645	(3,808)
Building permits	90,473	103,868	(13,395)
Total licenses and permits	<u>101,310</u>	<u>118,513</u>	<u>(17,203)</u>
Intergovernmental			
Class "C" roads	299,667	293,668	5,999
State liquor fund allotment	5,471	5,502	(31)
Grants	-	1,432	(1,432)
Total intergovernmental revenue	<u>305,138</u>	<u>300,602</u>	<u>4,536</u>
Charges for services			
Zoning & subdivision fees	9,246	3,534	5,712
Administrative fee - other funds	50,000	50,000	-
Recreation fees	76,828	83,524	(6,696)
Cemetery	9,800	9,400	400
Miscellaneous	24,677	37,808	(13,131)
Total charges for services	<u>170,551</u>	<u>184,266</u>	<u>(13,715)</u>
Miscellaneous			
Proceeds from sale of capital asset	-	10,108	(10,108)
Donations	1,700	4,335	(2,635)
Miscellaneous	5,020	-	5,020
Interest	2,680	1,735	945
Total miscellaneous	<u>9,400</u>	<u>16,178</u>	<u>(6,778)</u>
Total revenues	<u>2,357,823</u>	<u>2,290,589</u>	<u>67,234</u>

**West Point City**

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Prior Year Comparative (continued)**  
**General Fund**  
**For the Years Ended June 30, 2013 and 2012**

	June 30, 2013	June 30, 2012	Variance Increase (Decrease) Over PY
<b><u>Expenditures</u></b>			
General government			
Mayor and council	\$ 49,132	48,406	726
Finance	214,128	245,628	(31,500)
Administrative	341,789	357,319	(15,530)
Total general government	<u>605,049</u>	<u>651,353</u>	<u>(46,304)</u>
Public safety			
Public safety	120,308	118,211	2,097
Planning and development	138,776	126,112	12,664
Total public safety	<u>259,084</u>	<u>244,323</u>	<u>14,761</u>
Streets and public works			
Public works	381,396	370,378	11,018
Total streets and public works	<u>381,396</u>	<u>370,378</u>	<u>11,018</u>
Parks and recreation			
Parks and cemetery	117,126	96,812	20,314
Recreation	176,674	166,008	10,666
Total parks and recreation	<u>293,800</u>	<u>262,820</u>	<u>30,980</u>
Total expenditures	<u>1,539,329</u>	<u>1,528,874</u>	<u>10,455</u>
Excess revenues over (under) expenditures	<u>818,494</u>	<u>761,715</u>	<u>56,779</u>
<b><u>Other financing sources (uses)</u></b>			
Transfers (out)	<u>(702,282)</u>	<u>(732,113)</u>	<u>29,831</u>
Total other financing sources and uses	<u>(702,282)</u>	<u>(732,113)</u>	<u>29,831</u>
Excess of revenues and other sources over (under) expenditures and other uses	116,212	29,602	86,610
Fund balances - beginning of year	<u>372,132</u>	<u>342,530</u>	<u>29,602</u>
Fund balances - end of year	<u>\$ 488,344</u>	<u>372,132</u>	<u>116,212</u>

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

## **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***

The Honorable Mayor and Members  
of the City Council  
West Point City  
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, 2013, which collectively comprise West Point City's, basic financial statements and have issued our report thereon dated October 24, 2013.

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. 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.

### 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 24, 2013.

### 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.*

October 24, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROLS OVER 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

**REPORT ON COMPLIANCE**

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, 2013. The general compliance requirements applicable to the City are identified as follows:

- Cash Management
- Budgetary Compliance
- Fund Balance Limitations
- Justice Court Compliance
- Impact Fees
- Utah Retirement Systems Compliance
- Transfers from Utility Enterprise Funds

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

- B & C Road Funds (Department of Transportation)

*Management's Responsibility*

Compliance with the requirements referred to above is the responsibility of West Point City's Management

*Auditor's Responsibility*

Our responsibility is to express an opinion on West Point City's compliance 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.

### *Opinion*

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, 2013.

### *Other Matters*

The results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the State of Utah Legal Compliance Audit Guide and which are described in the accompanying schedule of findings.

### 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, we considered West Point City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis.

### *West Point City's Response to Findings*

West Point City's response to the findings identified in our audit are described in the accompanying letter to management. West Point City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### *Purpose of Report*

The purpose of this report is solely to describe the scope of our testing of integral 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.

*Whitch & Associates, P.C.*

Ogden, Utah  
October 24, 2013

**West Point City**  
**Schedule of Findings**  
**State Legal Compliance**  
**For the Year Ended June 30, 2013**

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1. Budgetary Compliance

*Finding:* Utah Code Section 10-6-147 states that financial reports, that include detailed receipts and disbursements for all funds, be reviewed by the governing body at least quarterly. The governing board currently only reviews summary information as deemed necessary.

*Recommendation:* We recommend that management provide detailed, updated financial statements so that they may have the most complete information possible to make decisions. We further recommend that the information be provided in a form that is easily traced to the general ledger.

*Management's Response:* Management will provide the governing board with detailed information derived directly from the accounting software.

2. Transfers from Utility Enterprise Funds

*Finding:* “City departments should pay for utility services at the same rate charged to other customers of the utility.” This guidance in the UAM is designed to conform with GAAP and assist cities in complying with Utah Code 10-6-135. The City has not measured nor charged the general government for utility usage.

*Recommendation:* We recommend that the City begin the process to review the potential impact this requirement may have on both the general government and the utility funds. The City should establish a reasonable basis for charging the general government for utility usage and record the usage and reimbursement appropriately.

*Management's Response:* Management was aware of this issue and had discussed a plan to correct it moving forward. Management will do the research necessary to properly measure utility usage for the general government based on similar billings within City limits. Management will charge the general government accordingly.