

# West Point City

## Annual Financial Statements

With Auditors' Report Thereon

For the Year Ended June 30, 2015





# West Point City

## Table of Contents

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Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet to Governmental Funds To the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue Fund	20
Statement of Net Position - Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Notes to Financial Statements	25
Required Supplementary Information	
Schedule of the Proportionate Share of the Net Pension Liability	52
Schedule of Contributions	53
Notes to Required Supplemental Information	54
Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Projects	56
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Debt Service	57
Statement of Revenues, Expenditures, and Changes in Fund Balances - Prior Year Comparative - General Fund	61
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 <i>Government Auditing Standards</i>	61
Independent Auditors' Report in Accordance with the <i>State Compliance Audit Guide</i>	63
Schedule of Findings	66



**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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Point City as of June 30, 2015, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary information*

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

#### *Other information*

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

The budget to actual statements on major capital projects, budget to actual statements on major debt service funds, and prior year comparative general fund information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015 on our consideration of West Point City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Point City's internal control over financial reporting and compliance.

*Ulrich & Associates, P.C.*

Ogden, UT  
November 25, 2015



# West Point City

## Management's Discussion and Analysis

June 30, 2015

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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, 2015.

### Financial Highlights

- ◆ The City's net position of \$31,310,862 is made up of \$24,491,207 in capital assets and other net position of \$6,819,655. Of this amount, \$4,185,919 may be used to meet the ongoing obligations of the City, while \$2,633,736 is restricted for specific purposes.
- ◆ The City's total net position increased by 7.35% (\$29,168,084 to \$31,310,862).
- ◆ The City's governmental funds reported a combined ending fund balance of \$3,807,674, a decrease of \$595,989 from the prior year. The decrease is primarily the result of the transfer of impact fee balances from the Special Revenue Fund into respective enterprise funds. Of the total fund balance, \$549,643 (unassigned fund balance) is available to spend at the government's discretion.
- ◆ In the proprietary funds, total net position increased by \$1,313,070 during the fiscal year.
- ◆ The City made the final payment on debt related to the land purchase for Blair Dahl Park.

### Reporting the City As a Whole

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

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

The statements of net position present information on all of West Point City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of West Point City is improving or deteriorating. However, other non-financial factors should also be considered.

The statement of activities presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

**West Point City**  
**Management's Discussion and Analysis**  
**June 30, 2015**

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Reporting the City's Most Significant Funds

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

*Governmental funds* - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

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

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

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

Government-wide Financial Analysis

Net Position, over time, is intended to serve as an indicator of a government's financial position. In the case of West Point City, assets and deferred outflows exceeded liabilities and deferred inflows by \$31,310,862, an increase of \$2,142,778 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.

**West Point City**  
**Management's Discussion and Analysis**  
**June 30, 2015**

Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
<b>Assets</b>				
Current and other assets	\$ 4,984,725	4,635,282	2,355,265	3,722,438
Capital assets	15,910,788	17,132,806	8,066,504	8,054,401
Net pension asset	-	578	-	329
<b>Total assets</b>	<b>20,895,513</b>	<b>21,768,666</b>	<b>10,421,769</b>	<b>11,777,168</b>
<b>Deferred Outflows</b>				
Deferred outflows related to pensions	-	49,583	-	28,217
<b>Total deferred outflows</b>	<b>-</b>	<b>49,583</b>	<b>-</b>	<b>28,217</b>
<b>Liabilities</b>				
Long-term debt outstanding	924,908	749,049	-	-
Other liabilities	227,143	457,883	286,927	347,117
Net pension liability	-	215,166	-	122,451
<b>Total Liabilities</b>	<b>1,152,051</b>	<b>1,422,098</b>	<b>286,927</b>	<b>469,568</b>
<b>Deferred Inflows</b>				
Unavailable revenue- property taxes	356,700	376,649	-	-
Deferred inflows relating to pensions	-	28,333	-	16,124
<b>Total Deferred Inflows</b>	<b>356,700</b>	<b>404,982</b>	<b>-</b>	<b>16,124</b>
<b>Net Position</b>				
Net investment in capital assets	15,031,828	16,436,806	8,066,504	8,054,401
Restricted	2,506,591	1,787,249	-	846,487
Unrestricted	1,848,343	1,767,114	2,068,338	2,418,805
<b>Total net position</b>	<b>\$ 19,386,762</b>	<b>\$ 19,991,169</b>	<b>\$ 10,134,842</b>	<b>\$ 11,319,693</b>

**West Point City**  
**Management's Discussion and Analysis**  
**June 30, 2015**

Changes in Net Position

	Governmental Activities		Business-Type Activities	
	2014	2015	2014	2015
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 1,137,862	849,536	2,918,435	3,091,110
Operating grants & contributions	293,289	301,708	-	-
Capital grants & contributions	80,641	887,204	-	180,046
General revenues				
Property taxes	398,646	409,104	-	-
General sales & use tax	940,523	988,140	-	-
Energy & telecom tax	511,985	483,169	-	-
Loss on sale of capital assets	-	(17,604)	-	-
Impact Fees	-	-	-	101,410
Interest income	15,978	17,218	7,780	11,139
Transfers/Misc.	(51,939)	(757,752)	51,939	757,752
Total revenues	3,326,985	3,160,723	2,978,154	4,141,457
<b>Expenses</b>				
General government	610,793	686,411	-	-
Public safety/court	262,315	265,856	-	-
Highways/public works	1,086,521	1,231,524	-	-
Parks & recreation	645,247	126,821	-	-
Interest long-term debt	56,076	20,403	-	-
Waste utility	-	-	1,172,155	1,320,127
Water utility	-	-	1,206,393	1,330,338
Storm water utility	-	-	119,722	177,922
Total expenses	2,660,952	2,331,015	2,498,270	2,828,387
Increase (decrease) in net position	666,033	829,708	479,884	1,313,070
Net position beginning of year, as adjusted	18,495,428	19,161,461	9,526,739	10,006,623
Net position end of year	\$ 19,161,461	\$ 19,991,169	\$ 10,006,623	\$ 11,319,693

**West Point City**  
**Management's Discussion and Analysis**  
**June 30, 2015**

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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, 2015, the City's general fund reported a fund balance of \$592,636. This represents an increase of \$52,637 from last year's ending balance. The increase is due, in part, to increased sales tax and other revenues 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 52%, property tax is 22%, and energy & franchise tax is 26% of general fund revenue.

Licenses and Permits revenue in the General Fund is down 12% compared to Fiscal Year 2014.

General Fund Budget Amendments

During Fiscal Year 2015, General Fund budgeted expenditures were amended from an original budget of \$2,305,452 to a final budget of \$2,660,852, an increase of \$355,400. The budget increase was approved by the City Council following a public hearing.

Capital Asset and Debt Administration

*Capital Assets*

West Point City continues to invest in infrastructure and improvements. Capital assets, net of accumulated depreciation, in governmental activities increased by \$1,222,018. Capital assets, net of accumulated depreciation, in business-type activities decreased by \$12,103. Major capital expenditures in Fiscal Year 2015 include installation of new playground equipment, tennis courts, and basketball courts at Loy Blake Park, completion of a new trail along 200 South, the purchase of two public works trucks, installation of a new sidewalk on 800 North, and the beginning of reconstruction of 3000 West.

**West Point City**  
**Management's Discussion and Analysis**  
**June 30, 2015**

<u>West Point City's Capital Assets</u>		
	Government Activities <u>2015</u>	Business-Type Activities <u>2015</u>
Capital Assets (net of accumulated depreciation)		
Land	\$ 3,909,352	\$ 158,040
Buildings	1,323,941	35,158
Improvements	1,612,707	7,748,072
Machinery and equipment	340,104	113,131
Infrastructure	9,946,702	-
Total	<u>\$ 17,132,806</u>	<u>\$ 8,054,401</u>
Total FY2014	\$ 15,910,788	\$ 8,066,504
Increase	\$ 1,222,018	\$ (12,103)

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

*Long-term Debt*

In Fiscal Year 2015 the City made final payment on the land purchase for Blair Dahl Park. The City's remaining debt includes excise tax revenue bonds that were used to refinance debt on the City Hall facility. At June 30, 2015, the City had total bonded debt outstanding of \$696,000.

<u>West Point City's Long-Term Debt</u>	
	Government Activities <u>2015</u>
Excise tax revenue bonds	\$ 696,000
Bond Interest Payable	6,925
Compensated absences	53,049
	<u>\$ 755,974</u>

The City's total long-term debt decreased by \$182,960 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, 2015**

	<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	\$ 1,944,623	3,455,101	5,399,724
Restricted cash and cash equivalents	1,896,667	-	1,896,667
Accounts receivable - net	761,318	267,337	1,028,655
Prepaid expenses	26,529	-	26,529
Deposits	6,145	-	6,145
Capital assets (net of accumulated depreciation)			
Land	3,909,352	158,040	4,067,392
Buildings	1,323,941	35,158	1,359,099
Improvements	1,612,707	7,748,072	9,360,779
Machinery and equipment	340,104	113,131	453,235
Infrastructure	9,946,702	-	9,946,702
Net pension asset	578	329	907
<b>Total assets</b>	<b>21,768,666</b>	<b>11,777,168</b>	<b>33,545,834</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deffered outflows relating to pensions	49,583	28,217	77,800
Total deferred outflows of resources	49,583	28,217	77,800
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	404,695	347,117	751,812
Other current liabilities	53,188	-	53,188
Noncurrent liabilities:			
Due within one year	147,049	-	147,049
Due in more than one year	602,000	-	602,000
Net pension liability	215,166	122,451	337,617
<b>Total liabilities</b>	<b>1,422,098</b>	<b>469,568</b>	<b>1,891,666</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue-			
property taxes	376,649	-	376,649
Deferred inflows relating to pensions	28,333	16,124	44,457
Total deferred inflows of resources	404,982	16,124	421,106
<b><u>Net Position</u></b>			
Net invested in capital assets	16,436,806	8,054,401	24,491,207
Restricted for impact fees	1,018,236	846,487	1,864,723
Restricted for Class C road	769,013	-	769,013
Unrestricted	1,767,114	2,418,805	4,185,919
<b>Total net position</b>	<b>\$ 19,991,169</b>	<b>11,319,693</b>	<b>31,310,862</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, 2015**

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	\$ 686,411	271,135	-	-	\$ (415,276)		(415,276)
Public safety	265,856	-	-	-	(265,856)		(265,856)
Streets and public works	1,231,524	491,041	301,708	887,204	448,429		448,429
Parks and recreation	126,821	87,360	-	-	(39,461)		(39,461)
Interest on long-term debt	20,403	-	-	-	(20,403)		(20,403)
Total governmental activities	<u>2,331,015</u>	<u>849,536</u>	<u>301,708</u>	<u>887,204</u>	<u>(292,567)</u>		<u>(292,567)</u>
Business-type activities							
Waste utility	1,320,127	1,383,404	-	43,175		106,452	106,452
Water utility	1,330,338	1,526,455	-	59,124		255,241	255,241
Storm water utility	177,922	181,251	-	77,747		81,076	81,076
Total business-type activities	<u>2,828,387</u>	<u>3,091,110</u>	<u>-</u>	<u>180,046</u>		<u>442,769</u>	<u>442,769</u>
Total primary government	<u>\$ 5,159,402</u>	<u>3,940,646</u>	<u>301,708</u>	<u>1,067,250</u>	<u>(292,567)</u>	<u>442,769</u>	<u>150,202</u>
		General revenues					
		Property taxes			409,104	-	409,104
		General sales and use tax			988,140	-	988,140
		Energy and franchise tax			483,169	-	483,169
		Loss on sale of capital assets			(17,604)	-	(17,604)
		Impact fees			-	101,410	101,410
		Net interest earnings (expense)			17,218	11,139	28,357
		Transfers			(757,752)	757,752	-
		Total general revenues			<u>1,122,275</u>	<u>870,301</u>	<u>1,992,576</u>
		Change in net position			829,708	1,313,070	2,142,778
		Net position - beginning as adjusted			<u>19,161,461</u>	<u>10,006,623</u>	<u>29,168,084</u>
		Net position - ending			<u>\$ 19,991,169</u>	<u>11,319,693</u>	<u>31,310,862</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, 2015**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	CDRA Fund	Total Governmental Funds
<b><u>Assets</u></b>						
Cash and cash equivalents	\$ 408,071	201,886	1,325,402	-	9,264	1,944,623
Restricted cash and cash equivalents	-	1,787,249	-	109,418	-	1,896,667
Receivables						
Property, sales, & energy tax	202,979	-	-	-	-	202,979
Class C roads	57,803	-	-	-	-	57,803
Telecommunications	775	-	-	-	-	775
Grants	-	121,712	-	-	-	121,712
Other	1,400	-	-	-	-	1,400
Due from other funds	20,000	-	-	-	-	20,000
Deferred property taxes	376,649	-	-	-	-	376,649
Deposits	-	-	6,145	-	-	6,145
Prepaid expense	26,529	-	-	-	-	26,529
Total assets	<u>\$ 1,094,206</u>	<u>2,110,847</u>	<u>1,331,547</u>	<u>109,418</u>	<u>9,264</u>	<u>4,655,282</u>
<b><u>Liabilities</u></b>						
Liabilities						
Accounts payable	\$ 71,733	272,683	47,623	-	5,728	397,767
Accrued liabilities	53,188	-	-	-	-	53,188
Due to other funds	-	-	-	-	20,000	20,000
Total liabilities	<u>124,921</u>	<u>272,683</u>	<u>47,623</u>	<u>-</u>	<u>25,728</u>	<u>470,955</u>
<b><u>Deferred Inflows of Resources</u></b>						
Unavailable revenue- property taxes	376,649	-	-	-	-	376,649
Total deferred inflows of resources	<u>376,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376,649</u>
<b><u>Fund Balances</u></b>						
Nonspendable	26,529	-	-	-	-	26,529
Restricted						
Class C roads	-	769,013	-	-	-	769,013
Impact fees	-	1,018,236	-	-	-	1,018,236
Committed	-	-	1,283,924	-	-	1,283,924
Assigned	-	50,914	-	109,418	-	160,332
Unassigned	566,107	-	-	-	(16,464)	549,643
Total fund balances	<u>592,636</u>	<u>1,838,163</u>	<u>1,283,924</u>	<u>109,418</u>	<u>(16,464)</u>	<u>3,807,677</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,094,206</u>	<u>2,110,846</u>	<u>1,331,547</u>	<u>109,418</u>	<u>9,264</u>	<u>4,655,281</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, 2015**

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

Total fund balances - governmental fund types		\$ 3,807,677
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
	Cost of capital assets	20,930,856
	Accumulated depreciation	<u>(3,798,053)</u>
		17,132,803
Net pension assets are not financial resources and, therefore, are not reported in the funds.		
		578
Deferred outflows of resources, a consumption of net position that applies to future period, is not shown in the fund statements.		
		49,583
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund statements.		
		(215,166)
Deferred inflows of resources, pension related, is a liability that relates to future periods and, therefore, is not included in the fund statements.		
		(28,333)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The detail is as follows:		
	Bond interest payable	(6,925)
	Bonds payable	(696,000)
	Compensated absences	<u>(53,049)</u>
		<u>(755,974)</u>
Net position of government activities		<u>\$ 19,991,168</u>

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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, 2015**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	CDRA Fund	Total Governmental Funds
<b><u>Revenues</u></b>						
Taxes	\$ 1,880,413	-	-	-	-	1,880,413
Licenses and permits	143,996	-	-	-	-	143,996
Charges for services	178,565	-	-	-	-	178,565
Impact fees	-	491,041	-	-	-	491,041
Intergovernmental	301,708	-	-	-	-	301,708
Grants	-	578,118	-	-	-	578,118
Interest	3,145	9,275	4,276	503	19	17,218
Miscellaneous revenue	2,784	-	33,150	-	-	35,934
Total revenues	<u>2,510,611</u>	<u>1,078,434</u>	<u>37,426</u>	<u>503</u>	<u>19</u>	<u>3,626,993</u>
<b><u>Expenditures</u></b>						
Current						
General government	636,864	-	-	-	16,483	653,347
Public safety	266,992	-	-	-	-	266,992
Streets and public works	301,203	941,470	-	-	-	1,242,673
Parks and recreation	354,960	214,989	-	-	-	569,949
Capital outlay	-	-	533,049	-	-	533,049
Debt service						
Principal retirement	-	127,960	-	55,000	-	182,960
Interest and fiscal charges	-	6,398	-	9,861	-	16,259
Total expenditures	<u>1,560,019</u>	<u>1,290,817</u>	<u>533,049</u>	<u>64,861</u>	<u>16,483</u>	<u>3,465,229</u>
Excess revenues over (under) expenditures	<u>950,592</u>	<u>(212,383)</u>	<u>(495,623)</u>	<u>(64,358)</u>	<u>(16,464)</u>	<u>161,764</u>
<b><u>Other financing sources (uses)</u></b>						
Transfers in	-	301,708	561,610	34,638	-	897,956
Transfers (out)	<u>(897,956)</u>	<u>(757,753)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,655,709)</u>
Total other financing sources and uses	<u>(897,956)</u>	<u>(456,045)</u>	<u>561,610</u>	<u>34,638</u>	<u>-</u>	<u>(757,753)</u>
Net change in fund balances	52,636	(668,428)	65,987	(29,720)	(16,464)	(595,989)
Fund balance - beginning of year	<u>539,999</u>	<u>2,506,591</u>	<u>1,217,937</u>	<u>139,136</u>	<u>-</u>	<u>4,403,663</u>
Fund balance - end of year	<u>\$ 592,635</u>	<u>1,838,163</u>	<u>1,283,924</u>	<u>109,416</u>	<u>(16,464)</u>	<u>3,807,674</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, 2015**

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

Net changes in fund balances - total governmental funds \$ (595,989)

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	1,329,075	
Depreciation expense	<u>(398,539)</u>	930,536

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position. (17,604)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 309,086

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, does not effect net position. This is the net effect of differences in the treatment of long-term debt and related items.

Issuance of long-term debt	-	
Retirement of long-term debt	<u>182,960</u>	182,960

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	(7,101)	
Accrued interest	(4,144)	
Pension benefit expense	<u>31,963</u>	<u>20,718</u>

Change in net position of governmental activities \$ 829,707

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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**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>Revenues</u></b>				
Taxes				
Property tax - real estate	\$ 356,700	356,700	359,774	3,074
Property tax - vehicles	35,000	35,000	49,330	14,330
Sales and use taxes	860,000	900,000	988,140	88,140
Energy and franchise taxes	465,000	479,000	483,169	4,169
Total taxes	1,716,700	1,770,700	1,880,413	109,713
Licenses and permits				
Business licenses	12,000	12,000	12,418	418
Building permits	100,000	90,000	131,578	41,578
Total licenses and permits	112,000	102,000	143,996	41,996
Intergovernmental				
Class C roads	290,000	290,000	301,708	11,708
State liquor fund allotment	4,500	-	-	-
Total intergovernmental revenue	294,500	290,000	301,708	11,708
Charges for services				
Zoning and subdivision fees	7,000	7,000	12,035	5,035
Administrative fee - other funds	50,000	-	28,131	28,131
Recreation fees	85,000	85,000	87,360	2,360
Cemetery	8,000	9,000	16,225	7,225
Miscellaneous	31,500	31,500	34,814	3,314
Total charges for services	181,500	132,500	178,565	46,065
Miscellaneous				
Miscellaneous	-	-	2,784	2,784
Interest	1,000	1,000	3,145	2,145
Total miscellaneous	1,000	1,000	5,929	4,929
Total revenues	\$ 2,305,700	2,296,200	2,510,611	214,411

**West Point City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (continued)**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>Expenditures</u></b>				
General government				
Mayor and council	\$ 176,458	60,937	52,136	8,801
Finance	256,171	230,371	208,489	21,882
Administrative	433,465	437,465	376,239	61,226
Total general government	866,094	728,773	636,864	91,909
Public safety				
Public safety	148,791	148,791	129,918	18,873
Planning and development	183,022	183,022	137,074	45,948
Total public safety	331,813	331,813	266,992	64,821
Streets and public works				
Public works	325,827	302,827	301,203	1,624
Total streets and public works	325,827	302,827	301,203	1,624
Parks and recreation				
Parks and cemetery	211,057	211,057	149,824	61,233
Recreation	215,954	215,954	205,136	10,818
Total parks and recreation	427,011	427,011	354,960	72,051
Total expenditures	1,950,745	1,790,424	1,560,019	230,405
Excess revenues over (under) expenditures	354,955	505,776	950,592	444,816
<b><u>Other financing sources (uses)</u></b>				
Transfers (out)	(354,707)	(870,428)	(897,956)	(27,528)
Total other financing sources and uses	(354,707)	(870,428)	(897,956)	(27,528)
Net change in fund balance	248	(364,652)	52,636	417,288
Fund balances - beginning of year	539,999	539,999	539,999	-
Fund balances - end of year	\$ 540,247	175,347	592,635	417,288

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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>Revenues</u></b>				
Impact fees	\$ 555,900	466,900	491,041	24,141
Grants	-	2,840,000	578,118	(2,261,882)
Interest income	-	-	9,275	9,275
Total revenues	<u>555,900</u>	<u>3,306,900</u>	<u>1,078,434</u>	<u>(2,228,466)</u>
<b><u>Expenditures</u></b>				
Class C road expenditures	448,117	444,294	272,050	172,244
Streets and public works	389,204	3,229,204	669,420	2,559,784
Parks and recreation	22,906	22,906	22,906	-
Intergovernmental	177,750	177,750	192,083	(14,333)
Capital outlay	134,151	-	-	-
Debt service:				
Principal retirement	322,958	187,958	127,960	59,998
Interest and fiscal charges	6,400	6,400	6,398	2
Total expenditures	<u>1,501,486</u>	<u>4,068,512</u>	<u>1,290,817</u>	<u>2,777,695</u>
Excess revenues over (under) expenditures	<u>(945,586)</u>	<u>(761,612)</u>	<u>(212,383)</u>	<u>549,229</u>
<b><u>Other financing sources (uses)</u></b>				
Transfers in	290,000	290,000	301,708	11,708
Transfers (out)	-	(757,753)	(757,753)	-
Total other financing sources and uses	<u>290,000</u>	<u>(467,753)</u>	<u>(456,045)</u>	<u>11,708</u>
Net change in fund balance	(655,586)	(1,229,365)	(668,428)	560,937
Fund balances - beginning of year	<u>2,506,591</u>	<u>2,506,591</u>	<u>2,506,591</u>	<u>-</u>
Fund balances - end of year	<u>\$ 1,851,005</u>	<u>1,277,226</u>	<u>1,838,163</u>	<u>560,937</u>

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

**West Point City**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business-Type Activities - Enterprise Funds			
	Waste Utility	Water Utility	Storm Utility	Total
<b><u>Assets</u></b>				
Current assets				
Cash and cash equivalents	\$ 868,431	1,373,682	1,212,988	3,455,101
Accounts receivable - net	126,481	123,420	17,436	267,337
Total current assets	994,912	1,497,102	1,230,424	3,722,438
Noncurrent assets				
Land, equipment, buildings, and improvements	3,571,466	3,631,560	3,297,725	10,500,751
Less: Accumulated depreciation	(1,243,891)	(740,940)	(461,519)	(2,446,350)
Net pension asset	131	135	63	329
Total noncurrent assets	2,327,706	2,890,755	2,836,269	8,054,730
Total assets	3,322,618	4,387,857	4,066,693	11,777,168
<b><u>Deferred Outflows of Resources</u></b>				
Deferred outflows related to pensions	11,214	11,564	5,439	28,217
Total deferred outflows of resources	11,214	11,564	5,439	28,217
<b><u>Liabilities</u></b>				
Current liabilities				
Accounts payable	144,662	165,756	195	310,613
Accrued liabilities	15,285	15,285	5,934	36,504
Total current liabilities	159,947	181,041	6,129	347,117
Noncurrent liabilities				
Net pension liability	48,664	50,182	23,605	122,451
Total noncurrent liabilities	48,664	50,182	23,605	122,451
Total liabilities	208,611	231,223	29,734	469,568
<b><u>Deferred Inflows of Resources</u></b>				
Deferred inflows related to pensions	6,408	6,608	3,108	16,124
Total deferred inflows of resources	6,408	6,608	3,108	16,124
<b><u>Net Position</u></b>				
Net invested in capital assets	2,327,575	2,890,620	2,836,206	8,054,401
Restricted - impact fees	129,288	177,361	539,838	846,487
Unrestricted	661,950	1,093,607	663,248	2,418,805
Total net position	\$ 3,118,813	4,161,588	4,039,292	11,319,693

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, 2015**

	Business-Type Activities - Enterprise Funds			
	Waste Utility	Water Utility	Storm Utility	Total
<b>Operating Revenues</b>				
Charges for services	\$ 1,359,747	1,479,496	177,629	3,016,872
Connections, penalties, and other fees	14,162	46,644	3,538	64,344
Other income	9,495	315	84	9,894
Total operating revenues	<u>1,383,404</u>	<u>1,526,455</u>	<u>181,251</u>	<u>3,091,110</u>
<b>Operating Expenses</b>				
Personnel services	200,906	208,679	96,038	505,623
Contractual services	1,008,126	794,708	15,489	1,818,323
Maintenance and supplies	25,206	248,904	1,547	275,657
Depreciation and amortization	85,889	78,047	64,848	228,784
Total operating expenses	<u>1,320,127</u>	<u>1,330,338</u>	<u>177,922</u>	<u>2,828,387</u>
Operating income (loss)	<u>63,277</u>	<u>196,117</u>	<u>3,329</u>	<u>262,723</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest revenue	2,948	4,524	3,667	11,139
Impact fees	12,828	22,402	66,180	101,410
Transfers in	116,340	168,241	473,171	757,752
Developer contributions	43,175	59,124	77,747	180,046
Total nonoperating revenues (expenses)	<u>175,291</u>	<u>254,291</u>	<u>620,765</u>	<u>1,050,347</u>
Change in net position	238,568	450,408	624,094	1,313,070
Total net position - beginning, as adjusted	<u>2,880,245</u>	<u>3,711,180</u>	<u>3,415,198</u>	<u>10,006,623</u>
Total net position - ending	<u>\$ 3,118,813</u>	<u>4,161,588</u>	<u>4,039,292</u>	<u>11,319,693</u>

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

**West Point City**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business-Type Activities - Enterprise Funds			
	Waste Utility	Water Utility	Storm Utility	Total
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 1,372,183	1,531,188	181,300	3,084,671
Payments to suppliers	(1,018,179)	(999,886)	(15,725)	(2,033,790)
Payments to employees	(208,135)	(216,134)	(99,544)	(523,813)
Net cash provided (used) by operating activities	<u>145,869</u>	<u>315,168</u>	<u>66,031</u>	<u>527,068</u>
<b>Cash flows from noncapital financing activities</b>				
Impact fees	12,828	22,402	66,180	101,410
Transfers from other funds	116,340	168,241	473,171	757,752
Net cash provided (used) by noncapital financing activities	<u>129,168</u>	<u>190,643</u>	<u>539,351</u>	<u>859,162</u>
<b>Cash flows from capital and related financing activities</b>				
Purchases of capital assets	(9,769)	(17,093)	(9,770)	(36,633)
Net cash provided (used) by capital and related financing activities	<u>(9,769)</u>	<u>(17,093)</u>	<u>(9,770)</u>	<u>(36,633)</u>
<b>Cash flows from investing activities</b>				
Interest and dividends received	2,948	4,524	3,667	11,139
Net cash provided (used) by investing activities	<u>2,948</u>	<u>4,524</u>	<u>3,667</u>	<u>11,139</u>
Net increase (decrease) in cash and cash equivalents	268,216	493,242	599,279	1,360,736
Cash and cash equivalents - beginning	<u>600,217</u>	<u>880,438</u>	<u>613,712</u>	<u>2,094,367</u>
Cash and cash equivalents - ending	<u>\$ 868,433</u>	<u>1,373,680</u>	<u>1,212,991</u>	<u>3,455,103</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 63,277	196,117	3,329	262,723
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	85,889	78,047	64,848	228,784
(Increase) decrease in accounts receivable	(11,221)	4,733	49	(6,439)
(Increase) decrease in net pension asset	(131)	(135)	(63)	(329)
(Increase) decrease in deferred outflows	(1,665)	(1,717)	(807)	(4,189)
Increase (decrease) in accounts payable	13,339	41,912	195	55,446
Increase (decrease) in net pension liability	(11,841)	(12,211)	(5,744)	(29,796)
Increase (decrease) in deferred inflows	6,408	6,608	3,108	16,124
Increase (decrease) in accrued liabilities	1,814	1,814	1,116	4,744
Total adjustments	<u>82,592</u>	<u>119,051</u>	<u>62,702</u>	<u>264,345</u>
Net cash provided (used) by operating activities	<u>\$ 145,869</u>	<u>315,168</u>	<u>66,031</u>	<u>527,068</u>
<b>Noncash capital and financing activities:</b>				
Contribution of capital assets from private developers	\$ 43,175	59,124	77,747	180,046

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, 2015**

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

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

**Reporting entity**

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

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

West Point City Redevelopment Agency (CRDA)

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

**Description of Government-wide and fund financial statements**

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

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

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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).

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

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

The City reports the following major enterprise funds:

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

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

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

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

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

**Measurement focus and basis of accounting**

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources.

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

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

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

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

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

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

2. Prepaid items

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

3. Receivables

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

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

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

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

This section intentionally left blank.

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

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

4. Capital assets

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

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

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

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

<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

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

5. Deferred outflows/inflows of resources

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

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

6. Long-term obligations

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

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

7. Pensions

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

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

8. Net position flow assumption

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

9. Fund balance flow assumptions

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

10. Fund balance/net position policies

Government-wide financial statements

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

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

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

10. Fund balance/net position policies - continued

Fund financial statements

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

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

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

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

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

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

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

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

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.

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.

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

4. Proprietary funds operating and nonoperating revenues and expenses

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

**Note 2 - Stewardship, Compliance, and Accountability**

Budgetary information

Budgets are prepared and adopted, in accordance with State law, by West Point City Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, capital projects, and debt service funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the City Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the function level. Appropriations lapse at June 30. During the year, supplemental appropriations were made decreasing general fund expenditures by \$160,321.

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.

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

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**Note 2 - Stewardship, Compliance, and Accountability - continued**

Utah State law allows for the accumulation of a fund balance in the general fund in an amount equal to 25% of the total current year revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the City has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget. At year end, the City's general fund balance was \$566,107 which is 22.55% of current year revenue. The city had one fund, the CDRA fund, that had a deficit fund at the end of the year of \$16,464.

**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.

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

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

As of June 30, 2015, the City had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair value</u>
Cash on deposit	\$ 1,653,826
State Treasurer's Investment Fund	<u>5,608,555</u>
Total cash and investments	<u><u>\$ 7,262,380</u></u>

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

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

**Deposits and investments - continued**

*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, 2015, \$1,403,826 of the \$1,653,826 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments* - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments that are in the possession of an outside party. The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. For the year ended June 30, 2015, the City had investments of \$5,608,555 with the PTIF at fair value. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

*Credit Risk* - Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits or qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations, and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

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

**Deposits and investments - continued**

*Interest rate risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Entity's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits, and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

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

Components of cash and investments (including interest earning deposits) at June 30, 2015, are as follows:

Cash on deposit	\$ 2,122,077
Utah State Treasurer's investment pool account	<u>5,174,314</u>
Total cash and investments	<u><u>\$ 7,296,391</u></u>

Components of cash and investments (including interest earning deposits) at June 30, 2015, are as follows:

Cash and cash equivalents	\$ 5,399,724
Restricted cash and cash equivalents and investments	<u>1,896,667</u>
Total cash and investments	<u><u>\$ 7,296,391</u></u>

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

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

Receivables

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

	<u>Governmental</u>	<u>Enterprise</u>	<u>Total</u>
Accounts	\$ 1,400	274,220	275,620
Less: Allowance for uncollectable	-	(6,883)	(6,883)
Grants	121,712	-	121,712
Property tax	5,023	-	5,023
Sales and energy tax	197,956	-	197,956
B & C road revenue	57,803	-	57,803
Deferred property tax revenue	376,649	-	376,649
Franchise tax	775	-	775
	<u>\$ 761,318</u>	<u>267,337</u>	<u>1,028,655</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.

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes	\$ 376,649	-
Total deferred / unearned revenue for governmental funds	<u>\$ 376,649</u>	<u>-</u>

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

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

Capital assets

Capital asset activity for the year ended June 30, 2015 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	3,909,352	-	-	3,909,352
Capital assets being depreciated				
Buildings	2,158,605	-	-	2,158,605
Improvements	1,536,846	476,904	-	2,013,750
Machinery and equipment	1,130,652	129,283	(28,750)	1,231,185
Infrastructure	10,585,993	1,031,974	-	11,617,967
Total capital assets being depreciated	15,412,096	1,638,161	(28,750)	17,021,507
Less accumulated depreciation for				
Buildings	\$ 764,937	69,727	-	834,664
Improvements	370,631	30,412	-	401,043
Machinery and equipment	819,996	82,231	(11,146)	891,081
Infrastructure	1,455,096	216,169	-	1,671,265
Total accumulated depreciation	3,410,660	398,539	(11,146)	3,798,053
Total capital assets, being depreciated, net	12,001,436	1,239,622	(17,604)	13,223,454
Governmental activities capital assets, net	\$ 15,910,788	1,239,622	(17,604)	17,132,806
<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	9,619,545	187,368	-	9,806,913
Machinery and equipment	446,487	29,311	-	475,798
Total capital assets being depreciated	10,126,032	216,679	-	10,342,711
Less accumulated depreciation for				
Buildings	22,937	1,905	-	24,842
Improvements	1,864,507	194,334	-	2,058,841
Machinery and equipment	330,123	32,544	-	362,667
Total accumulated depreciation	2,217,567	228,783	-	2,446,350
Total capital assets, being depreciated, net	7,908,465	(12,104)	-	7,896,361
Business-type activities capital assets, net	\$ 8,066,505	(12,104)	-	8,054,401

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

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

Capital assets - continued

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

Governmental activities	
General government	\$ 173,139
Public works	183,713
Parks and community services	<u>41,687</u>
Total depreciation expense - governmental activities	<u>398,539</u>
Business-type activities	
Waste Utility	85,889
Water Utility	78,047
Storm Water Utility	<u>64,848</u>
Total depreciation expense - business-type activities	<u>228,783</u>
Total depreciation expense	<u><u>\$ 627,322</u></u>

Interfund transfers

	Transfers Out					Total
	General Fund	Special Revenue Fund	Capital Projects Fund	Waste Utility Fund	Water Fund	
Transfers In						
General Fund	\$ -	-	-	-	-	-
Special Revenue Fund	301,708	-	-	-	-	301,708
Capital projects	561,610	-	-	-	-	561,610
Debt service	34,638					34,638
Waste Utility		116,340				116,340
Water Utility	-	168,241	-	-	-	168,241
Storm Water Utility	-	473,171	-	-	-	473,171
Total transfer in	<u>\$ 897,956</u>	<u>757,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,655,708</u>

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

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

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

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

Long-term debt

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental type activities					
Excise tax refunding					
Revenue bonds	\$ 751,000	-	(55,000)	696,000	94,000
Notes payable	127,960	-	(127,960)	-	-
Compensated absences	45,948	72,500	(65,399)	53,049	29,707
Total long-term liabilities	<u>\$ 924,908</u>	<u>72,500</u>	<u>(248,359)</u>	<u>749,049</u>	<u>123,707</u>

Excise tax revenue issues at June 30, 2015 consist of the following:

Series	Purpose	Amount	Range	Date	Outstanding
2014	Refunding bonds for series 2001 excise tax bonds. Used to finance the acquisition and construction of major capital facilities.	\$ 751,000	1.990%	2022	<u>\$ 696,000</u>

Notes payable issues at June 30, 2015 consist of the following:

Series	Purpose	Amount	Range	Date	Outstanding
2007	Used to finance the acquisition of park facility.	\$ 980,000	5.000%	2015	<u>\$ -</u>

Years Ending June 30	Excise Tax Revenue		Note Payable	
	Principal	Interest	Principal	Interest
2016	\$ 94,000	12,915	-	-
2017	96,000	11,025	-	-
2018	97,000	9,104	-	-
2019	99,000	7,154	-	-
2020	101,000	5,164	-	-
2021 - 2022	209,000	4,189	-	-
Total	<u>\$ 696,000</u>	<u>49,551</u>	<u>-</u>	<u>-</u>

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

Advance and current refunding

In 2014, the government issued \$751,000 of excise tax revenue refunding bonds to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$725,000 on excise tax revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This advance refunding originally reduced total debt service payments \$46,344. The outstanding principal balance of the defeased bond as of June 30, 2015 was \$647,000.

**Note 4 - Other Information**

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

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

Retirement plans

*General Information about the Pension Plan*

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

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

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

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

**Note 4 - Other Information - continued**

Retirement plans - continued

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

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

***Summary of Benefits by System***

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

\* With actuarial reductions

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

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

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

**Note 4 - Other Information - continued**

Retirement plans - continued

*Utah Retirement Systems*

	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
Contributory System			
111- Local Governmental Division Tier 2	N/A	N/A	14.830%
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	N/A	18.470%

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

At December 31, 2014, we reported a net pension asset of \$907 and a net pension liability of \$337,616.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.0777516%	\$ -	\$ 337,616
Tier 2 Public Employees System	0.0299416%	907	-
Total Net Pension Asset / Liability		907	337,616

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

**Note 4 - Other Information - continued**

Retirement plans - continued

For the year ended December 31, 2014, we recognized pension expense of \$87,633. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	11,248
Changes in assumptions	-	33,209
Net difference between projected and actual earnings on pension plan investments	7,726	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	70,074	-
Total	\$ 77,800	44,457

\$70,074 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (inflows) of Resources
2015	(9,043)
2016	(9,043)
2017	(9,043)
2018	(8,611)
2019	(159)
Thereafter	(833)

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

**Note 4 - Other Information - continued**

Retirement plans - continued

Actuarial assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary Increases	3.50 - 10.50 percent average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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

**Retired Member Mortality**

Class of Member

**Educators**

Men EDUM (90%)

Women EDUF (100%)

**Public Safety and Firefighters**

Men RP 200mWC (100%)

Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 - December 31, 2013.

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

**West Point City**  
**Notes to Financial Statements-continued**  
For the Year Ended June 30, 2015

**Note 4 - Other Information - continued**

Retirement plans - continued

	<b>Expected Return Arithmetic Basis</b>		
<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long-Term expected portfolio real rate of return</b>
Equity Securities	40%	7.06%	2.82%
Debt Securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute Return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
<b>Totals</b>	<b>100%</b>		<b>5.23%</b>
Inflation			<b>2.75%</b>
Expected arithmetic nominal return			<b>7.98%</b>

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

**Note 4 - Other Information - continued**

**Retirement plans - continued**

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
<b>Proportionate share of</b>			
Net pension (asset) / liability	\$ 816,745	336,709	(62,662)

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

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**West Point City**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2015**

**Note 4 - Other Information - continued**

Commitments and Contingencies

The City has commitments related to capital improvements, capital purchases and other contractual agreements at June 30, 2015, for the following:

<u>Fund</u>	<u>Capital Purchases</u>	<u>Improve- ments</u>	<u>Other</u>	<u>Total</u>
Capital Projects				
3000 West Road	\$ -	2,172,102		2,172,102
	<u>\$ -</u>	<u>2,172,102</u>	<u>-</u>	<u>2,172,102</u>

City has entered into an agreement with UDOT to build a section of roadway known as 3000 West; 300 North to 1300 North and is entitled to reimbursement from UDOT for up to \$2,839,850 for project expenditures.

Prior period adjustments

The requirement to apply GASB 68 this fiscal year resulted in adjustments to the prior period net positions. This is due to the required disclosure of a Net Pension Liability, Deferred Outflows, and Inflows of Resources, and if applicable, a Net Pension Asset.

The results to beginning net positions are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>			<u>Total</u>
		<u>Waste Utilities</u>	<u>Water Utilities</u>	<u>Storm Water Utilities</u>	
Net position - beginning	\$ 19,386,762	2,931,201	3,763,726	3,439,915	29,521,604
GASB 68 adjustments	(225,301)	(50,956)	(52,546)	(24,717)	(353,520)
Net position - restated	<u>\$ 19,161,461</u>	<u>2,880,245</u>	<u>3,711,180</u>	<u>3,415,198</u>	<u>29,168,084</u>

Subsequent events

Subsequent events have been evaluated through November 25, 2015, 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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**West Point City**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Utah Retirement Systems**  
**Last Two Fiscal Years\***

	2013	2014
<b><u>Noncontributory System</u></b>		
Proportion of the net pension liability (asset)	0.2324696%	0.2324696%
Proportionate share of the net pension liability (asset)	\$ 419,588	\$ 337,616
Covered employee payroll	NA	\$ 640,863
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	NA	52.70%
Plan fiduciary net position as a percentage of the total pension liability	NA	90.20%
<b><u>Tier 2 Public Employees System</u></b>		
Proportion of the net pension liability (asset)	0.0299416%	0.0299416%
Proportionate share of the net pension liability (asset)	\$ 180	\$ (907)
Covered employee payroll	NA	\$ 146,853
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	NA	-0.60%
Plan fiduciary net position as a percentage of the total pension liability	NA	103.50%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. N/A - Information not available.

**West Point City**  
**Schedule of Contributions**  
**Utah Retirement Systems**  
**Last Fiscal Year\***

	2014
<b><u>Noncontributory System</u></b>	
Contractually required contribution	\$ 122,204
Contributions in relation to the contractually required contribution	(122,204)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 640,863
Contributions as a percentage of covered-employee payroll	19.07%
<b><u>Tier 2 Public Employees System</u></b>	
Contractually required contribution	\$ 12,353
Contributions in relation to the contractually required contribution	(12,353)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 146,853
Contributions as a percentage of covered-employee payroll	8.41%

\*  
The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.  
NA Information not available

**West Point City**  
**Notes to Required Supplemental Information**  
**June 30, 2015**

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**Changes of Assumptions**

None

**Other Information that is not required as part of RSI**

This information below is not a required part of GASB 68 but is provided for informational purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 - December 31.

**Defined Contribution System**

December 31, 2014

	<u>Employee Paid Contributions</u>	<u>Employer Paid Contributions</u>
401(k) Plan	\$ 21,632	\$ 16,806
457 Plan	\$ 4,137	\$ 321
Roth IRA Plan	\$ 1,080	\$ -

\* The employer paid 401(k) contributions include totals paid for employees enrolled in the Tier 2 defined contribution 401(k) Plan.

## **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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>Revenues</u></b>				
Interest income	\$ -	-	4,276	4,276
Miscellaneous	170,581	170,581	33,150	(137,431)
Total revenues	170,581	170,581	37,426	(133,155)
<b><u>Expenditures</u></b>				
Capital outlay	1,069,782	1,025,203	533,049	492,154
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,069,782	1,025,203	533,049	492,154
Excess revenues over (under) expenditures	(899,201)	(854,622)	(495,623)	358,999
<b><u>Other financing sources (uses)</u></b>				
Transfers in	45,075	515,521	561,610	46,089
Transfers (out)	-	-	-	-
Total other financing sources and uses	45,075	515,521	561,610	46,089
Net change in fund balance	(854,126)	(339,101)	65,987	405,088
Fund balances - beginning of year	1,217,937	1,217,937	1,217,937	-
Fund balances - end of year	\$ 363,811	878,836	1,283,924	405,088

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Interest income	\$ -	-	503	503
Total revenues	-	-	503	503
<b><u>Expenditures</u></b>				
Debt service:				
Principal retirement	55,200	55,200	55,000	200
Interest and fiscal charges	9,707	9,707	9,861	(154)
Issuance costs on refunding bonds	-	-	-	-
Total expenditures	64,907	64,907	64,861	46
Excess revenues over (under) expenditures	(64,907)	(64,907)	(64,358)	549
<b><u>Other financing sources (uses)</u></b>				
Transfers in	64,907	64,907	34,638	(30,269)
Total other financing sources and uses	64,907	64,907	34,638	(30,269)
Net change in fund balance	-	-	(29,720)	(29,720)
Fund balances - beginning of year	139,136	139,136	139,136	-
Fund balances - end of year	\$ 139,136	139,136	109,416	(29,720)

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, 2015 and 2014**

	June 30, 2015	June 30, 2014	<u>Variance</u> Increase (Decrease) Over PY
<b><u>Revenues</u></b>			
Taxes			
Property tax - real estate	\$ 359,774	363,277	(3,503)
Property tax - vehicles	49,330	35,369	13,961
Sales and use taxes	988,140	940,523	47,617
Energy & telecom taxes	483,169	511,985	(28,816)
Total taxes	<u>1,880,413</u>	<u>1,851,154</u>	<u>29,259</u>
Licenses and permits			
Business licenses	12,418	12,270	148
Building permits	131,578	151,375	(19,797)
Total licenses and permits	<u>143,996</u>	<u>163,645</u>	<u>(19,649)</u>
Intergovernmental			
Class "C" roads	301,708	287,457	14,251
State liquor fund allotment	-	5,832	(5,832)
Grants	-	-	-
Total intergovernmental revenue	<u>301,708</u>	<u>293,289</u>	<u>8,419</u>
Charges for services			
Zoning & subdivision fees	12,035	8,317	3,718
Administrative fee - other funds	28,131	22,000	6,131
Recreation fees	87,360	87,656	(296)
Cemetery	16,225	16,200	25
Miscellaneous	34,814	35,572	(758)
Total charges for services	<u>178,565</u>	<u>169,745</u>	<u>8,820</u>
Miscellaneous			
Donations	-	730	(730)
Miscellaneous	2,784	578	2,206
Interest	3,145	2,443	702
Total miscellaneous	<u>5,929</u>	<u>3,751</u>	<u>2,178</u>
Total revenues	<u>2,510,611</u>	<u>2,481,584</u>	<u>29,027</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, 2015 and 2014**

	June 30, 2015	June 30, 2014	Variance Increase (Decrease) Over PY
<b><u>Expenditures</u></b>			
General government			
Mayor and council	\$ 52,136	55,815	(3,679)
Finance	208,489	221,999	(13,510)
Administrative	376,239	385,226	(8,987)
Total general government	<u>636,864</u>	<u>663,040</u>	<u>(26,176)</u>
Public safety			
Public safety	129,918	132,306	(2,388)
Planning and development	137,074	130,009	7,065
Total public safety	<u>266,992</u>	<u>262,315</u>	<u>4,677</u>
Streets and public works			
Public works	301,203	382,741	(81,538)
Total streets and public works	<u>301,203</u>	<u>382,741</u>	<u>(81,538)</u>
Parks and recreation			
Parks and cemetery	149,824	143,534	6,290
Recreation	205,144	217,471	(12,327)
Total parks and recreation	<u>354,968</u>	<u>361,005</u>	<u>(6,037)</u>
Total expenditures	<u>1,560,027</u>	<u>1,669,101</u>	<u>(109,074)</u>
Excess revenues over (under) expenditures	<u>950,584</u>	<u>812,483</u>	<u>138,101</u>
<b><u>Other financing sources (uses)</u></b>			
Transfers in (out)	<u>(897,948)</u>	<u>(760,828)</u>	<u>137,120</u>
Total other financing sources and uses	<u>(897,948)</u>	<u>(760,828)</u>	<u>137,120</u>
Net change in fund balance	52,636	51,655	981
Fund balances - beginning of year	<u>540,000</u>	<u>488,344</u>	<u>51,656</u>
Fund balances - end of year	<u>\$ 592,636</u>	<u>539,999</u>	<u>52,637</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, 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, 2015, and the related notes to the financial statements, which collectively comprise West Point City's basic financial statements and have issued our report thereon dated November 25, 2015.

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 November 25, 2015.

## Purpose of this Report

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

*Ulrich & Associates, P.C.*

November 25, 2015

**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE  
WITH THE *STATE COMPLIANCE AUDIT GUIDE* ON:**  
- COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS  
- COMPLIANCE FOR EACH MAJOR STATE PROGRAM  
- INTERNAL CONTROL OVER COMPLIANCE  
- SCHEDULE OF EXPENDITURES OF STATE AWARDS

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

**Report On Compliance with General State Compliance Requirements and for Each Major State Program**

We have audited West Point City's compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the West Point City or each of its major state programs for the year ended June 30, 2015.

General state compliance requirements were tested for the year ended June 30, 2015 in the following areas:

Budgetary Compliance  
Fund Balance  
Utah Retirement Systems  
Enterprise Fund Transfers, Reimbursements, Loans, and Services  
Open and Public Meetings Act  
Government Records Access Management Act

West Point City received state funding from the following programs classified as major programs for the year ended June 30, 2015.

B & C Road Funds (Department of Transportation)  
Utah Department of Transportation - 3000 West; 300 North to 1300 North

***Management's Responsibility***

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### ***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of West Point City's compliance.

### ***Opinion on General State Compliance Requirements and Each Major State Program***

In our opinion, West Point City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on West Point City or on each of its major state programs for the year ended June 30, 2015.

### ***Other Matters***

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

### **Report On Internal Control Over Compliance**

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

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

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

The purpose of this report 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.

**Report on Schedule of Expenditures of State Awards as Required by the *State Compliance Audit Guide***

We have audited 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, 2015, and the related notes to the financial statements, which collectively comprise West Point City's basic financial statements. We issued our report thereon dated November 25, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Ulrich & Associates, P.C.*

Ogden, Utah  
November 25, 2015

**West Point City**  
**Schedule of Expenditures of State Grants, Contracts, and Loan Funds**  
**For the Year Ended June 30, 2015**

Grant Name	Award/ Contract #	Award Amount	Year of Last Audit	Expenditures
<b><u>Utah Department of Transportation</u></b>				
Class C Road			2014	\$ 407,203
200 South Trail	F-LC11(57)	\$ 393,650	2014	\$ 76,300
3000 West Project	F-LC11(47)	\$ 2,555,865	N/A	\$ 578,118
<b>TOTAL GRANT, CONTRACT, AND LOAN FUND EXPENDITURES</b>				<b><u><u>\$ 1,061,621</u></u></b>