

West Point City

Annual Financial Statements

With Auditors' Report Thereon

For the Year Ended June 30, 2016



West Point City

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Point City as of and for the year ended June 30, 2016, 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, 2016, 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 December 8, 2016 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
December 8, 2016

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West Point City
Management's Discussion and Analysis
June 30, 2016

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, 2016.

Financial Highlights

- ◆ The City's total net position of \$35,955,307 is made up of \$25,877,309 in capital assets and other net position of \$10,077,998. Of this amount, \$7,311,273 may be used to meet the ongoing obligations of the City, while \$2,766,725 is restricted for specific purposes.
- ◆ The City's net position increased by \$4,644,445, or 14.83% (\$31,310,862 to \$35,955,307).
- ◆ The City's governmental funds reported a combined ending fund balance of \$4,282,147, an increase of \$474,473 from the prior year. The increase is primarily the result of the year-end transfer from the General Fund into the Capital Projects Fund for the purpose of future capital expenditures. Of the total fund balance, \$568,042 (unassigned fund balance) is available to spend at the government's discretion.
- ◆ In the proprietary funds, the total net position increased by \$873,405 during the fiscal year.
- ◆ The net change in Fund Balance for the General Fund increased by \$1,112.

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, 2016

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, all 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 \$35,955,307, an increase of \$4,282,147 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, 2016

Statement of Net Position

	Governmental Activities		Business-Type Activities	
	2015	2016	2015	2016
Assets				
Current and other assets	\$ 4,635,282	6,215,300	3,722,438	4,195,498
Capital assets	17,132,806	21,445,338	8,054,401	8,425,320
Net pension asset	578	16	329	45
Total assets	21,768,666	27,660,654	11,777,168	12,620,863
Deferred Outflows				
Deferred outflows related to pensions	49,583	148,340	28,217	78,198
Total deferred outflows	49,583	148,340	28,217	78,198
Liabilities				
Long-term debt outstanding	749,049	1,544,000	-	-
Other liabilities	457,883	1,788,223	347,117	331,641
Net pension liability	215,166	283,697	122,451	157,135
Total Liabilities	1,422,098	3,615,920	469,568	488,776
Deferred Inflows				
Unavailable revenue- property taxes	376,649	400,433	-	-
Deferred inflows relating to pensions	28,333	30,432	16,124	17,187
Total Deferred Inflows	404,982	430,865	16,124	17,187
Net Position				
Net investment in capital assets	16,436,806	17,451,989	8,054,401	8,425,320
Restricted	1,787,249	1,845,407	846,487	921,318
Unrestricted	1,767,114	4,464,813	2,418,805	2,846,460
Total net position	\$ 19,991,169	\$ 23,762,209	\$ 11,319,693	\$ 12,193,098

West Point City
Management's Discussion and Analysis
June 30, 2016

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Revenues				
Program revenues				
Charges for services	\$ 849,536	665,952	3,091,110	3,228,292
Operating grants & contributions	301,708	296,882	-	-
Capital grants & contributions	887,204	4,267,472	180,046	523,082
General revenues				
Property taxes	409,104	448,704	-	-
General sales & use tax	988,140	1,098,180	-	-
Energy & telecom tax	483,169	499,182	-	-
Loss on sale of capital assets	(17,604)	-	-	-
Impact Fees	-	-	101,410	54,343
Interest income	17,218	26,186	11,139	20,487
Transfers/Misc.	(757,752)	-	757,752	-
Total revenues	<u>3,160,723</u>	<u>7,302,558</u>	<u>4,141,457</u>	<u>3,826,204</u>
Expenses				
General government	686,411	1,905,788	-	-
Public safety/court	265,856	368,910	-	-
Highways/public works	1,231,524	1,092,523	-	-
Parks & recreation	126,821	47,200	-	-
Interest long-term debt	20,403	117,097	-	-
Waste utility	-	-	1,320,127	1,422,557
Water utility	-	-	1,330,338	1,351,958
Storm water utility	-	-	177,922	178,284
Total expenses	<u>2,331,015</u>	<u>3,531,518</u>	<u>2,828,387</u>	<u>2,952,799</u>
Increase (decrease) in net position	829,708	3,771,040	1,313,070	873,405
Net position beginning of year	<u>19,161,461</u>	<u>19,991,169</u>	<u>10,006,623</u>	<u>11,319,693</u>
Net position end of year	<u>\$ 19,991,169</u>	<u>\$ 23,762,209</u>	<u>\$ 11,319,693</u>	<u>\$ 12,193,098</u>

West Point City
Management's Discussion and Analysis
June 30, 2016

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, 2016, the City's general fund reported a fund balance of \$593,747. This represents an increase of \$1,115 from last year's ending balance. The transfer from the General Fund to the Capital Projects Fund was \$535,000.

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

Taxes continue to be the largest source of revenue in the general fund and represent 77% of total general fund revenues, which is consistent with prior years. The largest element of tax revenue is sales tax. Sales tax is 53%, property tax is 22%, and energy & franchise tax is 25% of general fund tax revenue.

Licenses and Permits revenue in the General Fund is down 16% compared to Fiscal Year 2015.

General Fund Budget Amendments

During Fiscal Year 2016, General Fund budgeted expenditures were amended from an original budget of \$2,326,149 to a final budget of \$3,156,574 an increase of \$830,425. 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 \$4,312,532. Capital assets, net of accumulated depreciation, in business-type activities increased by \$370,920. Major capital expenditures in Fiscal Year 2016 include the 200 South Trail improvements, Tennis Court Lights, 520 North Loop Completion and Parking Lots, 3000 West Reconstruction, and the 800 North Sidewalk from 2525 West to 2700 West.

West Point City
Management's Discussion and Analysis
June 30, 2016

	<u>West Point City's Capital Assets</u>	
	Government Activities 2016	Business-Type Activities 2016
Capital Assets (net of accumulated depreciation)		
Land	\$ 3,924,790	\$ 158,040
Construction in progress	2,255,349	58,758
Buildings	1,254,214	33,255
Improvements	2,066,921	8,084,694
Machinery and equipment	317,396	90,573
Infrastructure	11,626,668	-
Total	<u>\$ 21,445,338</u>	<u>\$ 8,425,320</u>
Total FY2015	\$ 17,132,806	\$ 8,054,400
Increase	\$ 4,312,532	\$ 370,920

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

Long-term Debt

West Point City issued revenue bonds on June 30, 2016 for \$1,136,000. On June 30, 2016, the City had total bonded debt outstanding of \$1,738,000.

	<u>West Point City's Long-Term Debt</u>
	Government Activities 2016
Excise tax revenue bonds	\$ 1,738,000
Net Pension Liability	440,832
Compensated absences	55,543
	<u>\$ 2,234,375</u>

The City's total long-term debt increased by \$1,113,025 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, 2016

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<u>Assets</u>			
Cash and cash equivalents	\$ 3,329,007	3,918,421	7,247,428
Restricted cash and cash equivalents	1,825,466	-	1,825,466
Accounts receivable - net	1,045,087	277,077	1,322,164
Prepaid expenses	15,740	-	15,740
Capital assets (net of accumulated depreciation)			
Land	3,924,790	158,040	4,082,830
Construction in progress	2,255,349	58,758	2,314,107
Buildings	1,254,214	33,255	1,287,469
Improvements	2,066,921	8,084,694	10,151,615
Machinery and equipment	317,396	90,573	407,969
Infrastructure	11,626,668	-	11,626,668
Net pension asset	16	45	61
	<u>27,660,654</u>	<u>12,620,863</u>	<u>40,281,517</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows relating to pensions	148,340	78,198	226,538
Total deferred outflows of resources	<u>148,340</u>	<u>78,198</u>	<u>226,538</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	1,538,680	331,641	1,870,321
Revenue bonds - current	194,000	-	194,000
Compensated absences	55,543	-	55,543
Revenue bonds - noncurrent	1,544,000	-	1,544,000
Net pension liability	283,697	157,135	440,832
	<u>3,615,920</u>	<u>488,776</u>	<u>4,104,696</u>
<u>Deferred Inflows of Resources</u>			
Unavailable revenue- property taxes	400,433	-	400,433
Deferred inflows relating to pensions	30,432	17,187	47,619
Total deferred inflows of resources	<u>430,865</u>	<u>17,187</u>	<u>448,052</u>
<u>Net Position</u>			
Net invested in capital assets	17,451,989	8,425,320	25,877,309
Restricted for impact fees	821,829	921,318	1,743,147
Restricted for debt service	110,292	-	110,292
Restricted for Class C road	913,286	-	913,286
Unrestricted	4,464,813	2,846,460	7,311,273
	<u>\$ 23,762,209</u>	<u>12,193,098</u>	<u>35,955,307</u>

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, 2016

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenues & Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 1,905,788	255,332	-	-	\$ (1,650,456)		(1,650,456)
Public safety	368,910	-	-	-	(368,910)		(368,910)
Streets and public works	1,092,523	317,654	296,882	4,267,472	3,789,485		3,789,485
Parks and recreation	47,200	92,966	-	-	45,766		45,766
Interest on long-term debt	117,097	-	-	-	(117,097)		(117,097)
Total governmental activities	3,531,518	665,952	296,882	4,267,472	1,698,788		1,698,788
Business-type activities							
Waste utility	1,422,557	1,505,385	-	118,325		201,153	201,153
Water utility	1,351,958	1,540,736	-	200,627		389,405	389,405
Storm water utility	178,284	182,171	-	204,130		208,017	208,017
Total business-type activities	2,952,799	3,228,292	-	523,082		798,575	798,575
Total primary government	\$ 6,484,317	3,894,244	296,882	4,790,554	1,698,788	798,575	2,497,363
General revenues							
Property taxes					448,704	-	448,704
General sales and use tax					1,098,180	-	1,098,180
Energy and franchise tax					499,182	-	499,182
Impact fees					-	54,343	54,343
Net interest earnings (expense)					26,186	20,487	46,673
Total general revenues					2,072,252	74,830	2,147,082
Change in net position					3,771,040	873,405	4,644,445
Net position - beginning					19,991,169	11,319,693	31,310,862
Net position - ending					\$ 23,762,209	12,193,098	35,955,307

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, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	CDRA Fund	Total Governmental Funds
<u>Assets</u>						
Cash and cash equivalents	\$ 356,343	-	1,830,857	-	1,141,807	3,329,007
Restricted cash and cash equivalents	-	1,715,174	-	110,292	-	1,825,466
Receivables						
Property, sales, & energy tax	230,788	-	-	-	-	230,788
Class C roads	49,480	-	-	-	-	49,480
Telecommunications	7,225	-	-	-	-	7,225
Grants	-	357,161	-	-	-	357,161
Due from other funds	20,000	-	-	-	-	20,000
Deferred property taxes	400,433	-	-	-	-	400,433
Prepaid expense	15,740	-	-	-	-	15,740
	<u>1,080,009</u>	<u>2,072,335</u>	<u>1,830,857</u>	<u>110,292</u>	<u>1,141,807</u>	<u>6,235,300</u>
Total assets	<u>\$ 1,080,009</u>	<u>2,072,335</u>	<u>1,830,857</u>	<u>110,292</u>	<u>1,141,807</u>	<u>6,235,300</u>
<u>Liabilities</u>						
Liabilities						
Accounts payable	\$ 64,269	305,625	9,494	-	1,131,772	1,511,160
Accrued liabilities	21,560	-	-	-	-	21,560
Due to other funds	-	-	-	-	20,000	20,000
	<u>85,829</u>	<u>305,625</u>	<u>9,494</u>	<u>-</u>	<u>1,151,772</u>	<u>1,552,720</u>
Total liabilities	<u>85,829</u>	<u>305,625</u>	<u>9,494</u>	<u>-</u>	<u>1,151,772</u>	<u>1,552,720</u>
<u>Deferred Inflows of Resources</u>						
Unavailable revenue- property taxes	400,433	-	-	-	-	400,433
Total deferred inflows of resources	<u>400,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,433</u>
<u>Fund Balances</u>						
Nonspendable	15,740	-	-	-	-	15,740
Restricted						
Class C roads	-	913,286	-	-	-	913,286
Impact fees	-	821,829	-	-	-	821,829
Debt service	-	-	-	110,292	-	110,292
Committed	-	-	1,821,363	-	-	1,821,363
Assigned	-	31,595	-	-	-	31,595
Unassigned	578,007	-	-	-	(9,965)	568,042
	<u>593,747</u>	<u>1,766,710</u>	<u>1,821,363</u>	<u>110,292</u>	<u>(9,965)</u>	<u>4,282,147</u>
Total fund balances	<u>593,747</u>	<u>1,766,710</u>	<u>1,821,363</u>	<u>110,292</u>	<u>(9,965)</u>	<u>4,282,147</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,080,009</u>	<u>2,072,335</u>	<u>1,830,857</u>	<u>110,292</u>	<u>1,141,807</u>	<u>6,235,300</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, 2016

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

Total fund balances - governmental fund types		\$ 4,282,147
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
	Cost of capital assets	25,667,067
	Accumulated depreciation	<u>(4,221,729)</u>
		21,445,338
Net pension assets are not financial resources and, therefore, are not reported in the funds.		
		16
Deferred outflows of resources, a consumption to net position that applies to future period, is not shown in the fund statements.		
		148,340
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund statements.		
		(283,697)
Deferred inflows of resources, pension related, is a liability that relates to future periods and, therefore, is not included in the fund statements.		
		(30,432)
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	(5,960)
	Bonds payable	(1,738,000)
	Compensated absences	<u>(55,543)</u>
		<u>(1,799,503)</u>
Net position of government activities		<u>\$ 23,762,209</u>

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

West Point City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	CDRA Fund	Total Governmental Funds
<u>Revenues</u>						
Taxes	\$ 2,031,405	14,662	-	-	-	2,046,067
Licenses and permits	121,162	-	-	-	-	121,162
Charges for services	156,646	-	-	-	-	156,646
Impact fees	-	317,654	-	-	-	317,654
Intergovernmental	296,882	-	-	-	-	296,882
Grants	-	1,849,932	591,200	-	-	2,441,132
Interest	5,708	10,445	6,025	805	3,203	26,186
Miscellaneous revenue	9,440	-	61,050	-	-	70,490
Total revenues	<u>2,621,243</u>	<u>2,192,693</u>	<u>658,275</u>	<u>805</u>	<u>3,203</u>	<u>5,476,219</u>
<u>Expenditures</u>						
Current						
General government	646,868	-	-	-	1,132,704	1,779,572
Public safety	370,349	-	-	-	-	370,349
Streets and public works	287,435	2,233,822	-	-	-	2,521,257
Parks and recreation	376,572	222,098	-	-	-	598,670
Capital outlay	-	-	655,836	-	-	655,836
Debt service						
Principal retirement	-	98,710	-	94,000	-	192,710
Interest and fiscal charges	-	6,398	-	12,954	-	19,352
Total expenditures	<u>1,681,224</u>	<u>2,561,028</u>	<u>655,836</u>	<u>106,954</u>	<u>1,132,704</u>	<u>6,137,746</u>
Excess revenues over (under) expenditures	<u>940,019</u>	<u>(368,335)</u>	<u>2,439</u>	<u>(106,149)</u>	<u>(1,129,501)</u>	<u>(661,527)</u>
<u>Other financing sources (uses)</u>						
Transfers in	-	296,882	535,000	107,025	-	938,907
Transfers (out)	(938,907)	-	-	-	-	(938,907)
Proceeds from long-term debt	-	-	-	-	1,136,000	1,136,000
Total other financing sources and uses	<u>(938,907)</u>	<u>296,882</u>	<u>535,000</u>	<u>107,025</u>	<u>1,136,000</u>	<u>1,136,000</u>
Net change in fund balances	1,112	(71,453)	537,439	876	6,499	474,473
Fund balance - beginning 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>
Fund balance - end of year	<u>\$ 593,747</u>	<u>1,766,710</u>	<u>1,821,363</u>	<u>110,292</u>	<u>(9,965)</u>	<u>4,282,147</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, 2016

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

Net changes in fund balances - total governmental funds \$ 474,473

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	2,945,539	
Depreciation expense	<u>(459,347)</u>	
		2,486,192

Revenues related to contribution of capital assets in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,826,340

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	(1,136,000)	
Retirement of long-term debt	<u>94,000</u>	
		(1,042,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(2,494)	
Accrued interest	965	
Pension benefit expense	<u>27,565</u>	
		<u>26,036</u>

Change in net position of governmental activities \$ 3,771,041

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues</u>				
Taxes				
Property tax - real estate	\$ 376,649	376,649	410,662	34,013
Property tax - vehicles	35,000	35,000	38,043	3,043
Sales and use taxes	917,931	917,931	1,083,518	165,587
Energy and franchise taxes	464,000	464,000	499,182	35,182
Total taxes	<u>1,793,580</u>	<u>1,793,580</u>	<u>2,031,405</u>	<u>237,825</u>
Licenses and permits				
Business licenses	12,000	12,000	15,760	3,760
Building permits	100,000	100,000	105,402	5,402
Total licenses and permits	<u>112,000</u>	<u>112,000</u>	<u>121,162</u>	<u>9,162</u>
Intergovernmental				
Class C roads	290,000	320,000	296,882	(23,118)
Total intergovernmental revenue	<u>290,000</u>	<u>320,000</u>	<u>296,882</u>	<u>(23,118)</u>
Charges for services				
Zoning and subdivision fees	7,000	7,000	8,309	1,309
Recreation fees	85,000	85,000	92,966	7,966
Cemetery	9,000	9,000	16,700	7,700
Miscellaneous	31,500	31,500	38,671	7,171
Total charges for services	<u>132,500</u>	<u>132,500</u>	<u>156,646</u>	<u>24,146</u>
Miscellaneous				
Donations	-	-	4,140	4,140
Miscellaneous	-	-	5,300	5,300
Interest	1,000	1,000	5,708	4,708
Total miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>15,148</u>	<u>14,148</u>
Total revenues	<u>\$ 2,329,080</u>	<u>2,359,080</u>	<u>2,621,243</u>	<u>262,163</u>

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

West Point City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Expenditures</u>				
General government				
Mayor and council	\$ 57,875	57,875	56,174	1,701
Finance	236,559	236,559	187,605	48,954
Administrative	481,078	481,078	403,089	77,989
Total general government	<u>775,512</u>	<u>775,512</u>	<u>646,868</u>	<u>128,644</u>
Public safety				
Public safety	175,411	175,411	161,748	13,663
Planning and development	210,347	218,112	208,601	9,511
Total public safety	<u>385,758</u>	<u>393,523</u>	<u>370,349</u>	<u>23,174</u>
Streets and public works				
Public works	312,322	312,322	287,435	24,887
Total streets and public works	<u>312,322</u>	<u>312,322</u>	<u>287,435</u>	<u>24,887</u>
Parks and recreation				
Parks and cemetery	213,391	213,391	152,755	60,636
Recreation	233,801	234,801	223,817	10,984
Total parks and recreation	<u>447,192</u>	<u>448,192</u>	<u>376,572</u>	<u>71,620</u>
Total expenditures	<u>1,920,784</u>	<u>1,929,549</u>	<u>1,681,224</u>	<u>248,325</u>
Excess revenues over (under) expenditures	<u>408,296</u>	<u>429,531</u>	<u>940,019</u>	<u>510,488</u>
<u>Other financing sources (uses)</u>				
Transfers (out)	<u>(405,365)</u>	<u>(1,227,025)</u>	<u>(938,907)</u>	<u>288,118</u>
Total other financing sources and uses	<u>(405,365)</u>	<u>(1,227,025)</u>	<u>(938,907)</u>	<u>288,118</u>
Net change in fund balance	2,931	(797,494)	1,112	798,606
Fund balances - beginning of year	592,635	592,635	592,635	-
Fund balances - end of year	<u>\$ 595,566</u>	<u>(204,859)</u>	<u>593,747</u>	<u>798,606</u>

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

West Point City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues</u>				
Impact fees	\$ 466,900	466,900	317,654	(149,246)
Grants	2,620,769	2,620,769	1,849,932	(770,837)
Local Transit	-	-	14,662	14,662
Interest income	-	-	10,445	10,445
Total revenues	<u>3,087,669</u>	<u>3,087,669</u>	<u>2,192,693</u>	<u>(894,976)</u>
<u>Expenditures</u>				
Class C road expenditures	402,117	524,688	178,683	346,005
Streets and public works	2,818,269	2,818,269	2,055,139	763,130
Intergovernmental	177,750	177,750	222,098	(44,348)
Debt service:				
Principal retirement	53,600	241,955	98,710	143,245
Interest and fiscal charges	6,400	6,400	6,398	2
Total expenditures	<u>3,458,136</u>	<u>3,769,062</u>	<u>2,561,028</u>	<u>1,208,034</u>
Excess revenues over (under) expenditures	<u>(370,467)</u>	<u>(681,393)</u>	<u>(368,335)</u>	<u>313,058</u>
<u>Other financing sources (uses)</u>				
Transfers in	<u>290,000</u>	<u>320,000</u>	<u>296,882</u>	<u>(23,118)</u>
Total other financing sources and uses	<u>290,000</u>	<u>320,000</u>	<u>296,882</u>	<u>(23,118)</u>
Net change in fund balance	(80,467)	(361,393)	(71,453)	289,940
Fund balances - beginning of year	<u>1,838,163</u>	<u>1,838,163</u>	<u>1,838,163</u>	<u>-</u>
Fund balances - end of year	<u>\$ 1,757,696</u>	<u>1,476,770</u>	<u>1,766,710</u>	<u>289,940</u>

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

West Point City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
CDRA Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues</u>				
Interest income	\$ -	-	3,203	3,203
Total revenues	-	-	3,203	3,203
<u>Expenditures</u>				
CDRA:				
Project expenses	1,200,000	1,200,000	1,107,000	93,000
Administration	20,000	20,000	24,904	(4,904)
Interest	-	-	800	(800)
Total expenditures	1,220,000	1,220,000	1,132,704	87,296
Excess revenues over (under) expenditures	(1,220,000)	(1,220,000)	(1,129,501)	90,499
<u>Other financing sources (uses)</u>				
Proceeds from long-term debt	1,220,000	1,220,000	1,136,000	(84,000)
Total other financing sources and uses	1,220,000	1,220,000	1,136,000	(84,000)
Net change in fund balance	-	-	6,499	6,499
Fund balances - beginning of year	(16,464)	(16,464)	(16,464)	-
Fund balances - end of year	\$ (16,464)	(16,464)	(9,965)	6,499

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

West Point City
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-Type Activities - Enterprise Funds			
	Waste Utility	Water Utility	Storm Utility	Total
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 1,018,206	1,595,740	1,304,475	3,918,421
Accounts receivable - net	136,926	122,635	17,516	277,077
Total current assets	1,155,132	1,718,375	1,321,991	4,195,498
Noncurrent assets				
Land, equipment, buildings, and improvements	3,721,292	3,857,560	3,532,336	11,111,188
Less: Accumulated depreciation	(1,332,786)	(821,083)	(531,999)	(2,685,868)
Net pension asset	16	10	19	45
Total noncurrent assets	2,388,522	3,036,487	3,000,356	8,425,365
Total assets	3,543,654	4,754,862	4,322,347	12,620,863
<u>Deferred Outflows of Resources</u>				
Deferred outflows related to pensions	31,471	33,592	13,135	78,198
Total deferred outflows of resources	31,471	33,592	13,135	78,198
<u>Liabilities</u>				
Current liabilities				
Accounts payable	157,227	128,723	8,886	294,836
Accrued liabilities	15,355	15,355	6,095	36,805
Total current liabilities	172,582	144,078	14,981	331,641
Noncurrent liabilities				
Net pension liability	62,721	65,468	28,946	157,135
Total noncurrent liabilities	62,721	65,468	28,946	157,135
Total liabilities	235,303	209,546	43,927	488,776
<u>Deferred Inflows of Resources</u>				
Deferred inflows related to pensions	6,839	7,076	3,272	17,187
Total deferred inflows of resources	6,839	7,076	3,272	17,187
<u>Net Position</u>				
Net invested in capital assets	2,388,506	3,036,477	3,000,337	8,425,320
Restricted - impact fees	142,305	198,201	580,812	921,318
Unrestricted	802,172	1,337,154	707,134	2,846,460
Total net position	\$ 3,332,983	4,571,832	4,288,283	12,193,098

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, 2016

	Business-Type Activities - Enterprise Funds			
	Waste Utility	Water Utility	Storm Utility	Total
Operating Revenues				
Charges for services	\$ 1,476,465	1,516,737	180,302	3,173,504
Connections, penalties, and other fees	24,387	23,532	1,718	49,637
Other income	4,533	467	151	5,151
Total operating revenues	1,505,385	1,540,736	182,171	3,228,292
Operating Expenses				
Personnel services	200,110	219,435	74,744	494,289
Contractual services	1,098,636	804,293	25,084	1,928,013
Maintenance and supplies	34,917	248,087	7,976	290,980
Depreciation and amortization	88,894	80,143	70,480	239,517
Total operating expenses	1,422,557	1,351,958	178,284	2,952,799
Operating income (loss)	82,828	188,778	3,887	275,493
Nonoperating Revenues (Expenses)				
Interest revenue	5,242	8,250	6,995	20,487
Impact fees	7,775	12,589	33,979	54,343
Developer contributions	118,325	200,627	204,130	523,082
Total nonoperating revenues (expenses)	131,342	221,466	245,104	597,912
Change in net position	214,170	410,244	248,991	873,405
Total net position - beginning	3,118,813	4,161,588	4,039,292	11,319,693
Total net position - ending	\$ 3,332,983	4,571,832	4,288,283	12,193,098

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, 2016

	Business-Type Activities - Enterprise Funds			
	Waste Utility	Water Utility	Storm Utility	Total
Cash flows from operating activities				
Receipts from customers	\$ 1,494,940	1,541,521	182,091	3,218,552
Payments to suppliers	(1,120,918)	(1,089,343)	(24,208)	(2,234,469)
Payments to employees	(205,764)	(225,584)	(76,891)	(508,239)
Net cash provided (used) by operating activities	<u>168,258</u>	<u>226,594</u>	<u>80,992</u>	<u>475,844</u>
Cash flows from noncapital financing activities				
Impact fees	7,775	12,589	33,979	54,343
Net cash provided (used) by noncapital financing activities	<u>7,775</u>	<u>12,589</u>	<u>33,979</u>	<u>54,343</u>
Cash flows from capital and related financing activities				
Purchases of capital assets	(31,500)	(25,375)	(30,479)	(87,354)
Net cash provided (used) by capital and related financing activities	<u>(31,500)</u>	<u>(25,375)</u>	<u>(30,479)</u>	<u>(87,354)</u>
Cash flows from investing activities				
Interest and dividends received	5,242	8,250	6,995	20,487
Net cash provided (used) by investing activities	<u>5,242</u>	<u>8,250</u>	<u>6,995</u>	<u>20,487</u>
Net increase (decrease) in cash and cash equivalents	149,775	222,058	91,487	463,320
Cash and cash equivalents - beginning	868,431	1,373,682	1,212,988	3,455,101
Cash and cash equivalents - ending	<u>\$ 1,018,206</u>	<u>1,595,740</u>	<u>1,304,475</u>	<u>3,918,421</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ 82,828	188,778	3,887	275,493
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	88,894	80,143	70,480	239,517
(Increase) decrease in accounts receivable	(10,445)	785	(80)	(9,740)
(Increase) decrease in net pension asset	115	125	44	284
(Increase) decrease in deferred outflows	(20,257)	(22,028)	(7,696)	(49,981)
Increase (decrease) in accounts payable	12,565	(37,033)	8,691	(15,777)
Increase (decrease) in net pension liability	14,057	15,286	5,341	34,684
Increase (decrease) in deferred inflows	431	468	164	1,063
Increase (decrease) in accrued liabilities	70	70	161	301
Total adjustments	<u>85,430</u>	<u>37,816</u>	<u>77,105</u>	<u>200,351</u>
Net cash provided (used) by operating activities	<u>\$ 168,258</u>	<u>226,594</u>	<u>80,992</u>	<u>475,844</u>
Noncash capital and financing activities:				
Contribution of capital assets from private developers	\$ 118,325	200,627	204,130	523,082

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, 2016

Note 1 - Summary of Significant Accounting Policies

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

Reporting entity

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

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

West Point City Redevelopment Agency (CRDA)

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

Description of Government-wide and fund financial statements

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

Note 1 - Summary of Significant Accounting Policies - continued

Basis of presentation - government-wide financial statements

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

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

Basis of presentation - fund financial statements

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

The City reports the following major governmental funds:

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

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

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

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

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

Note 1 - Summary of Significant Accounting Policies - continued

The City reports the following major enterprise funds:

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

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

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

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

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

Measurement focus and basis of accounting

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

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

Note 1 - Summary of Significant Accounting Policies - continued

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

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

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

1. Deposits and investments

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

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

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

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

Note 1 - Summary of Significant Accounting Policies - continued

2. Prepaid items

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

3. Receivables

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

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

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

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

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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:

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

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

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

Note 1 - Summary of Significant Accounting Policies - continued

10. Fund balance/net position policies - continued

Fund financial statements

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

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

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

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

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

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

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

Revenues and expenditures/expenses

1. Program revenues

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

Note 1 - Summary of Significant Accounting Policies - continued

2. Property taxes

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

3. Compensated absences

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

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

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

4. Proprietary funds operating and nonoperating revenues and expenses

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

Budgets are prepared and adopted, in accordance with State law, by West Point City Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, capital projects, and debt service funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the City Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the function level. Appropriations lapse at June 30. During the year, supplemental appropriations were made increasing general fund expenditures by \$8,765 not including transfers.

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

Utah State law allows for the accumulation of a fund balance in the general fund in an amount equal to 25% of the total current year revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the City has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget. At year end, the City's general fund balance was \$578,007 which is 22.05% of current year revenue.

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Note 3 - Detailed Notes on all Funds

Deposits and investments

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

Deposits

Custodial Credit Risk - Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. As of June 30, 2016, \$1,944,439 of the local government's bank balances of \$2,194,439 were uninsured and uncollateralized.

Investments

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

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

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

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2016

Note 3 - Detailed Notes on all Funds - continued

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

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

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

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

Investments by fair value level	Total investments measured at fair value		
	Level 1	Level 2	Level 3
Utah Public Treasurers' Investment Fund	\$ -	6,801,630	-
Total investments measured at fair value	\$ -	6,801,630	-

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

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

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2016

Note 3 - Detailed Notes on all Funds - continued

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

As of June 30, 2016, the City's investments had the following maturities:

Investments by fair value level	Investment Maturities (in years)		
	Less than 1	1-5	6 or more
Utah Public Treasurers' Investment Fund	\$ 6,801,630	-	-
Total investments measured at fair value	\$ 6,801,630	-	-

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

Investments by fair value level	Quality Ratings		
	AA	A	Unrated
Utah Public Treasurers' Investment Fund	\$ -	-	6,801,630
Total investments measured at fair value	\$ -	-	6,801,630

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

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

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2016

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	\$ -	285,049	285,049
Less: Allowance for uncollectable	-	(7,972)	(7,972)
Grants	357,161	-	357,161
Property tax	5,948	-	5,948
Sales and energy tax	224,840	-	224,840
B & C road revenue	49,480	-	49,480
Deferred property tax revenue	400,433	-	400,433
Franchise tax	7,225	-	7,225
	<u>\$ 1,045,087</u>	<u>277,077</u>	<u>1,322,164</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	\$ 400,433	-
Total deferred / unearned revenue for governmental funds	<u>\$ 400,433</u>	<u>-</u>

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2016

Note 3 - Detailed Notes on all Funds - continued

Capital assets

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary government	Beginning			Ending
Governmental activities	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 3,909,352	15,438	-	3,924,790
Construction in progress	-	2,255,349	-	2,255,349
Total capital assets not being depreciated	3,909,352	2,270,787	-	6,180,139
Capital assets being depreciated				
Buildings	2,158,605	-	-	2,158,605
Improvements	2,013,750	501,576	-	2,515,326
Machinery and equipment	1,231,185	74,222	(35,671)	1,269,736
Infrastructure	11,617,967	1,925,294	-	13,543,261
Total capital assets being depreciated	17,021,507	2,501,092	(35,671)	19,486,928
Less accumulated depreciation for				
Buildings	\$ 834,664	69,727	-	904,391
Improvements	401,043	47,362	-	448,405
Machinery and equipment	891,081	96,930	(35,671)	952,340
Infrastructure	1,671,265	245,328	-	1,916,593
Total accumulated depreciation	3,798,053	459,347	(35,671)	4,221,729
Total capital assets, being depreciated, net	13,223,454	2,041,745	-	15,265,199
Governmental activities capital assets, net	\$ 17,132,806	4,312,532	-	21,445,338
Business-type activities				
Capital assets not being depreciated				
Land	\$ 158,040	-	-	158,040
Construction in progress	-	58,758	-	58,758
Total capital assets not being depreciated	158,040	58,758	-	216,798
Capital assets being depreciated				
Buildings	60,000	-	-	60,000
Improvements	9,806,913	541,277	-	10,348,190
Machinery and equipment	475,798	10,402	-	486,200
Total capital assets being depreciated	10,342,711	551,679	-	10,894,390
Less accumulated depreciation for				
Buildings	24,841	1,904	-	26,745
Improvements	2,058,838	204,658	-	2,263,496
Machinery and equipment	362,672	32,955	-	395,627
Total accumulated depreciation	2,446,351	239,517	-	2,685,868
Total capital assets, being depreciated, net	7,896,360	312,162	-	8,208,522
Business-type activities capital assets, net	\$ 8,054,400	370,920	-	8,425,320

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2016

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	\$	205,131
Public works		193,600
Parks and community services		60,616
Total depreciation expense - governmental activities		459,347
Business-type activities		
Waste Utility		88,894
Water Utility		80,143
Storm Water Utility		70,480
Total depreciation expense - business-type activities		239,517
Total depreciation expense	\$	698,864

Interfund transfers

	Transfers Out					Total
	General Fund	Special Revenue Fund	Capital Projects Fund	Waste Utility Fund	Water Fund	
Transfers In						
Special Revenue Fund	\$ 296,882	-	-	-	-	296,882
Capital projects	535,000	-	-	-	-	535,000
Debt service	107,025	-	-	-	-	107,025
Total transfer in	\$ 938,907	-	-	-	-	938,907

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, 2016

Note 3 - Detailed Notes on all Funds - continued

Long-term debt

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Revenue bonds	\$ 696,000	1,136,000	(94,000)	1,738,000	194,000
Net pension liability	215,166	68,531	-	283,697	-
Compensated absences	53,049	72,500	(70,006)	55,543	31,104
Total long-term liabilities	<u>\$ 964,215</u>	<u>1,277,031</u>	<u>(164,006)</u>	<u>2,077,240</u>	<u>225,104</u>
Business-type activities					
Net pension liability	\$ 122,451	34,684	-	157,135	-
Total long-term liabilities	<u>\$ 122,451</u>	<u>34,684</u>	<u>-</u>	<u>157,135</u>	<u>-</u>

Revenue bonds issued at June 30, 2016 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	\$ 602,000
2016	Sales tax revenue bonds. Used to finance the acquisition and construction of major capital facilities.	\$ 1,136,000	3.590%	2026	<u>1,136,000</u>
					<u>\$ 1,738,000</u>

Years Ending June 30	Tax Revenue Bonds	
	Principal	Interest
2017	\$ 194,000	31,416
2018	197,000	46,369
2019	202,000	40,826
2020	208,000	35,139
2021	214,000	29,270
2022 - 2026	723,000	69,050
Total	<u>\$ 1,738,000</u>	<u>252,070</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, 2016 was \$566,000.

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

Defined Contribution Savings Plan

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

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

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

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2016

Note 4 - Other Information - continued

Retirement plans - continued

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
401(k) Plan			
Employer contributions	\$ 18,019	\$ 17,319	\$ 15,193
Employee contributions	\$ 26,254	\$ 21,446	\$ 22,261
457 Plan			
Employer contributions	\$ -	\$ -	\$ 671
Employee contributions	\$ 6,480	\$ 5,865	\$ 2,333
Roth IRA Plan			
Employer contributions	n/a	n/a	n/a
Employee contributions	\$ 1,080	\$ 1,080	\$ 1,000

General Information about the Pension Plan

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

Defined benefit plans:

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

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

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2016

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.

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

Summary of Benefits by System

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

* With actuarial reductions

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

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

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2016

Note 4 - Other Information - continued

Retirement plans - continued

Utah Retirement Systems

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer Rate for 401(k) Plan
Contributory System				
111- Local Governmental Division Tier 2	N/A	N/A	16.670%	1.780%
Noncontributory System				
15- Local Governmental Division Tier 1	N/A	N/A	18.470%	N/A

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

For fiscal year ended June 30, 2016, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Non Contributory System	\$ 117,121	N/A
Tier 2 Public Employees System	31,012	-
Total Contributions	\$ 148,133	\$ -

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

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

At June 30, 2016, we reported a net pension asset of \$61 and a net pension liability of \$440,831.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0779062%	\$ -	\$ 440,831
Tier 2 Public Employees System	0.0278119%	61	-
Total Net Pension Asset / Liability		\$ 61	\$ 440,831

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2016 we recognized pension expense of \$106,618.

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2016

Note 4 - Other Information - continued

Retirement plans - continued

At June 30, 2016 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	21,771
Changes in assumptions	-	24,906
Net difference between projected and actual earnings on pension plan investments	150,442	-
Changes in proportion and differences between contributions and proportionate share of contributions	999	942
Contributions subsequent to the measurement date	75,097	-
Total	\$ 226,538	47,619

\$75,097 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, 2015. 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:

<u>Year Ended December 31,</u>	<u>Deferred Outflows (inflows) of Resources</u>
2016	\$ 23,512
2017	23,512
2018	23,945
2019	33,796
2020	(172)
Thereafter	(770)

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2016

Note 4 - Other Information - continued

Retirement plans - continued

Actuarial assumptions: The total pension liability in the December 31, 2015, 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.

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

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period ending 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, 2016

Note 4 - Other Information - continued

Retirement plans - continued

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

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. The discount rate does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

West Point City
Notes to Financial Statements-continued
For the Year Ended June 30, 2016

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:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$ 931,432	\$ 440,831	\$ 31,277
Tier 2 Public Employees System	\$ 11,134	\$ (61)	\$ (8,545)
Total	\$ 942,566	\$ 440,770	\$ 22,732

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

Subsequent events

Subsequent events have been evaluated through December 8, 2016 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

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West Point City
Schedule of the Proportionate Share of the Net Pension Liability
Utah Retirement Systems
Last Ten Fiscal Years Ending December 31*

	2013	2014	2015
<u>Noncontributory System</u>			
Proportion of the net pension liability (asset)	0.2324696%	0.2324696%	0.0779062%
Proportionate share of the net pension liability (asset)	\$ 419,588	\$ 337,616	\$ 440,831
Covered employee payroll	NA	\$ 640,863	\$ 631,314
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	NA	52.70%	69.83%
Plan fiduciary net position as a percentage of the total pension liability	NA	90.20%	87.80%
<u>Tier 2 Public Employees System</u>			
Proportion of the net pension liability (asset)	0.0299416%	0.0299416%	0.0278119%
Proportionate share of the net pension liability (asset)	\$ 180	\$ (907)	\$ (61)
Covered employee payroll	NA	\$ 146,853	\$ 179,683
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	NA	-0.60%	-0.03%
Plan fiduciary net position as a percentage of the total pension liability	NA	103.50%	100.20%

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

N/A - Information not available.

West Point City
Schedule of Contributions
Last 10 Fiscal Years Ending June 30*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Noncontributory System</u>										
Contractually required contribution	64,121	64,789	77,281	80,601	88,656	95,930	112,862	116,067	125,071	117,121
Contributions in relation to the contractually required contribution	(64,121)	(64,789)	(77,281)	(80,601)	(88,656)	(95,930)	(112,862)	(116,067)	(125,071)	(117,121)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered employee payroll	NA	NA	665,063	691,261	663,096	696,660	689,146	634,182	627,436	634,114
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	11.62%	11.66%	13.37%	13.77%	16.38%	18.30%	19.93%	18.47%
<u>Tier 2 Public Employees System</u>										
Contractually required contribution	-	-	-	-	-	2,743	13,312	10,170	13,312	31,012
Contributions in relation to the contractually required contribution	-	-	-	-	-	(2,743)	(13,312)	(10,170)	(13,312)	(31,012)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered employee payroll	-	-	-	-	-	36,138	159,805	119,645	159,805	207,993
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.33%	8.50%	8.33%	14.91%

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

NA Information not available

West Point City
Notes to Required Supplemental Information
June 30, 2016

Changes of Assumptions

The following assumption changes were adopted from the most recent actuarial experience study. There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.5% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the pre retirement mortality assumption.

There were additional changes to certain demographic assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues</u>				
Interest income	\$ -	-	6,025	6,025
Grants	-	-	591,200	591,200
Miscellaneous	185,076	185,076	61,050	(124,026)
Total revenues	185,076	185,076	658,275	473,199
<u>Expenditures</u>				
Capital outlay	1,133,443	1,267,027	655,836	611,191
Total expenditures	1,133,443	1,267,027	655,836	611,191
Excess revenues over (under) expenditures	(948,367)	(1,081,951)	2,439	1,084,390
<u>Other financing sources (uses)</u>				
Transfers in	400,000	800,000	535,000	(265,000)
Total other financing sources and uses	400,000	800,000	535,000	(265,000)
Net change in fund balance	(548,367)	(281,951)	537,439	819,390
Fund balances - beginning of year	1,283,924	1,283,924	1,283,924	-
Fund balances - end of year	\$ 735,557	1,001,973	1,821,363	819,390

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues</u>				
Interest income	\$ -	-	805	805
Total revenues	-	-	805	805
<u>Expenditures</u>				
Debt service:				
Principal retirement	94,109	94,109	94,000	109
Interest and fiscal charges	12,916	12,916	12,954	(38)
Total expenditures	107,025	107,025	106,954	71
Excess revenues over (under) expenditures	(107,025)	(107,025)	(106,149)	876
<u>Other financing sources (uses)</u>				
Transfers in	107,025	107,025	107,025	-
Total other financing sources and uses	107,025	107,025	107,025	-
Net change in fund balance	-	-	876	876
Fund balances - beginning of year	109,416	109,416	109,416	-
Fund balances - end of year	<u>\$ 109,416</u>	<u>109,416</u>	<u>110,292</u>	<u>876</u>

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

West Point City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Prior Year Comparative
General Fund
For the Years Ended June 30, 2016 and 2015

	June 30, 2016	June 30, 2015	<u>Variance</u> Increase (Decrease) Over PY
<u>Revenues</u>			
Taxes			
Property tax - real estate	\$ 410,662	359,774	50,888
Property tax - vehicles	38,043	49,330	(11,287)
Sales and use taxes	1,083,518	988,140	95,378
Energy & telecom taxes	499,182	483,169	16,013
Total taxes	<u>2,031,405</u>	<u>1,880,413</u>	<u>150,992</u>
Licenses and permits			
Business licenses	15,760	12,418	3,342
Building permits	105,402	131,578	(26,176)
Total licenses and permits	<u>121,162</u>	<u>143,996</u>	<u>(22,834)</u>
Intergovernmental			
Class "C" roads	296,882	301,708	(4,826)
Total intergovernmental revenue	<u>296,882</u>	<u>301,708</u>	<u>(4,826)</u>
Charges for services			
Zoning & subdivision fees	8,309	12,035	(3,726)
Administrative fee - other funds	-	28,131	(28,131)
Recreation fees	92,966	87,360	5,606
Cemetery	16,700	16,225	475
Miscellaneous	38,671	34,814	3,857
Total charges for services	<u>156,646</u>	<u>178,565</u>	<u>(21,919)</u>
Miscellaneous			
Donations	4,140	-	4,140
Miscellaneous	5,300	2,784	2,516
Interest	5,708	3,145	2,563
Total miscellaneous	<u>15,148</u>	<u>5,929</u>	<u>9,219</u>
Total revenues	<u>2,621,243</u>	<u>2,510,611</u>	<u>110,632</u>

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

West Point City

Statement of Revenues, Expenditures, and Changes in Fund Balances
Prior Year Comparative (continued)
General Fund
For the Years Ended June 30, 2016 and 2015

	June 30, 2016	June 30, 2015	Variance Increase (Decrease) Over PY
<u>Expenditures</u>			
General government			
Mayor and council	\$ 56,174	52,136	4,038
Finance	187,605	208,489	(20,884)
Administrative	403,089	376,239	26,850
Total general government	<u>646,868</u>	<u>636,864</u>	<u>10,004</u>
Public safety			
Public safety	161,748	129,918	31,830
Planning and development	208,601	137,074	71,527
Total public safety	<u>370,349</u>	<u>266,992</u>	<u>103,357</u>
Streets and public works			
Public works	287,435	301,203	(13,768)
Total streets and public works	<u>287,435</u>	<u>301,203</u>	<u>(13,768)</u>
Parks and recreation			
Parks and cemetery	152,755	149,824	2,931
Recreation	223,817	205,144	18,673
Total parks and recreation	<u>376,572</u>	<u>354,968</u>	<u>21,604</u>
Total expenditures	<u>1,681,224</u>	<u>1,560,027</u>	<u>121,197</u>
Excess revenues over (under) expenditures	<u>940,019</u>	<u>950,584</u>	<u>(10,565)</u>
<u>Other financing sources (uses)</u>			
Transfers in (out)	<u>(938,907)</u>	<u>(897,948)</u>	<u>40,959</u>
Total other financing sources and uses	<u>(938,907)</u>	<u>(897,948)</u>	<u>40,959</u>
Net change in fund balance	1,112	52,636	(51,524)
Fund balances - beginning of year	<u>592,635</u>	<u>540,000</u>	<u>52,635</u>
Fund balances - end of year	<u>\$ 593,747</u>	<u>592,636</u>	<u>1,111</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, 2016, 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 December 8, 2016.

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 December 8, 2016.

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.

December 8, 2016

**INDEPENDENT AUDITOR'S REPORT AS REQUIRED BY
THE STATE COMPLIANCE AUDIT GUIDE ON:**

- COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS
- INTERNAL CONTROL OVER COMPLIANCE

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

Report On Compliance with General State Compliance Requirements

We have audited West Point City's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on West Point City for the year ended June 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Restricted Taxes
- Open and Public Meetings Act
- Treasurer Bond
- Utah Public Finance Website
- Cash Management
- Impact Fees

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on West Point City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the State Compliance Audit Guide. Those standards and the State Compliance Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on General State Compliance Requirements 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 for the year ended June 30, 2016.

Other Matters

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

Report On Internal Control Over Compliance

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

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

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

The purpose of this report 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.

Ogden, Utah
December 8, 2016