

RIVER HEIGHTS CITY

Financial Statements

For the Year Ended June 30, 2020

DRAFT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
River Heights City
River Heights, Utah

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of River Heights City, Utah (the City) as of and for the year ended June 30, 2020, 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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my 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 River Heights City, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* I have also issued my report dated December 26, 2020 on my consideration of River Heights's internal control over financial reporting and on my 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 my 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 River Heights's internal control over financial reporting and compliance.

MATTHEW REGEN, CPA, PC

December 26, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of River Heights City (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position (government and business-type activities) of the City increased during fiscal year 2020 by \$692,163 to a total of \$6,681,102. The governmental net position increased by \$415,605 and the business-type net position increased by \$276,558.
- The total net position (government and business-type activities) of the City consist of \$4,437,447 in capital assets, net of related debt, \$289,819 in restricted net position, and \$1,953,836 in unrestricted net position.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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 the City's finances, in a manner similar to a private-sector business.

- *The statement of net position* presents information on all of the 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 the City is improving or deteriorating. However, there will also be a need to consider other non-financial factors.
- *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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the 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 governmental activities of the City include general government, public safety, parks and recreation, and public works. The business-type

activities of the City include the water and wastewater collection utilities. The government-wide financial statements can be found on pages 11 and 12 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the city's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The City has several non-major funds.

- **Proprietary funds** - The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of River Heights uses enterprise funds to account for its Water Utility and Wastewater Collection Utility. As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.
- **Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City currently has no fiduciary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$6,681,102.

By far, the largest portion of the City's net position (67 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules present summarized information from the Statement of Net Position and the Statement of Activities:

STATEMENT OF NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 494,091	343,026	576,375	1,923,140	1,553,234	1,342,730
Capital assets	2,571,185	2,352,116	1,917,530	1,866,262	1,961,178	2,023,585
Total assets	3,065,276	2,695,142	2,493,905	3,789,402	3,514,412	3,366,315
Current liab. and deferred inflows	138,490	183,961	129,518	35,086	36,654	38,279
Noncurrent liabilities	-	-	-	-	-	-
Total liabilities and deferred inflows	138,490	183,961	129,518	35,086	36,654	38,279
Invested in capital assets, net of debt	2,571,185	2,352,116	1,917,530	1,866,262	1,961,178	2,023,585
Restricted	174,014	6,618	253,079	115,805	115,671	136,196
Unrestricted	181,587	152,447	193,778	1,772,249	1,400,909	1,168,255
Total net position	\$ 2,926,786	2,511,181	2,364,387	3,754,316	3,477,758	3,238,036

CHANGES IN NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 252,826	275,271	265,730	775,409	635,312	740,838
Operating grants	213,587	107,853	80,418	-	-	-
Capital grants	82,689	-	-	-	-	-
General revenues:						
Property taxes	114,595	124,189	106,548	-	-	-
Sales and use taxes	295,322	234,824	254,700	-	-	-
Other revenues	88,060	82,167	97,949	20,358	23,163	5,366
Total revenues	1,047,079	824,304	805,345	795,767	658,475	746,204
Expenses:						
General government	143,621	207,121	123,261	-	-	-
Public safety	85,772	84,470	85,834	-	-	-
Streets and public improvements	316,385	304,560	326,784	-	-	-
Parks and recreation	85,696	81,359	105,283	-	-	-
Water utility	-	-	-	269,496	228,028	243,783
Wastewater Collection	-	-	-	249,713	280,725	262,361
Total expenses	631,474	677,510	641,162	519,209	508,753	506,144
Transfers	-	-	-	-	-	-
Change in net position	415,605	146,794	164,183	276,558	149,722	240,060
Net position – beginning (07-01)	2,511,181	2,364,387	2,200,204	3,477,758	3,328,036	3,087,976
Net position – ending (06-30)	\$ 2,926,786	2,511,181	2,364,387	3,754,316	3,477,758	3,328,036

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The financial reporting focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$355,601, an increase of \$196,536 in comparison with the prior year. Of this total amount \$181,587 constitutes unassigned fund balance, which is available to meet the future financial needs of the City. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been restricted or assigned for future capital expenditures.

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 47 percent of total general fund revenues. The two largest elements of taxes are sales taxes and property taxes. Combined, they represent 83 percent of total tax revenues and 39 percent of total general fund revenues.

The City maintains enterprise funds to account for the business-type activities of the City, namely the water and wastewater collection utilities. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the current fiscal year the General Fund budget for revenue was \$916,200. The actual revenue was \$915,087. This resulted in an unfavorable variance of \$1,113 for revenue. The General Fund budget for expenditures was \$632,500. The actual expenditures were \$549,099. This resulted in a favorable variance of \$83,401 for expenditures. Overall, the City had a favorable variance for the excess of revenues over expenditures of \$82,288.

CAPITAL ASSETS

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$4,437,447 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads and infrastructure (streets, sidewalks, curb and gutter, etc.). The increase in the City's investment in capital assets for the current fiscal year was \$307,444 and depreciation expense was \$183,166.

Major capital assets purchased during the fiscal year included the following:

- \$8,095 for right of way – Stewart Hill Park.
- \$33,233 for tennis court renovations.
- \$245,359 for road and sidewalk improvements.
- \$14,757 for a mower and plow and sander.
- \$6,000 for water meters.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to River Heights City, 520 South 500 East, River Heights, UT 84321.

BASIC FINANCIAL STATEMENTS

CITY OF RIVER HEIGHTS
STATEMENT OF NET POSITION
JUNE 30, 2020

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Pooled cash and cash equivalents	\$ 294,448	1,730,685	2,025,133
Receivables, net	199,643	192,455	392,098
Fixed assets, net	2,571,185	1,866,262	4,437,447
Total assets	3,065,276	3,789,402	6,854,678
<u>Liabilities & Deferred Inflows of Resources</u>			
Liabilities:			
Accounts payable and accrued expenses	26,027	35,086	61,113
Deferred inflows of resources	112,463	-	112,463
Total liabilities & deferred inflows	138,490	35,086	173,576
<u>Net Position</u>			
Investments in capital assets, net of related debt	2,571,185	1,866,262	4,437,447
Restricted:			
Capital outlay	174,014	-	174,014
Impact fees	-	115,805	115,805
Unrestricted	181,587	1,772,249	1,953,836
Total net position	\$ 2,926,786	3,754,316	6,681,102

The accompanying notes are an integral part of these financial statements.

CITY OF RIVER HEIGHTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
General government	\$ 143,621	72,796	-	-	(70,825)	-	(70,825)
Sanitation	171,911	176,553	-	-	4,642	-	4,642
Public safety	85,772	-	-	-	(85,772)	-	(85,772)
Streets and public improvements	144,474	476	154,367	-	10,369	-	10,369
Parks and recreation	85,696	3,001	59,220	82,689	59,214	-	59,214
Total governmental activities	631,474	252,826	213,587	82,689	(82,372)	-	(82,372)
Business-type activities:							
Water Utility	269,496	448,176	-	-	-	178,680	178,680
Wastewater Collection	249,713	327,233	-	-	-	77,520	77,520
Total business-type activities	519,209	775,409	-	-	-	256,200	256,200
Total primary government	\$ 1,150,683	1,028,235	213,587	82,689	(82,372)	256,200	173,828
General revenues:							
Taxes:							
Property tax					114,595	-	114,595
Sales and use tax					295,322	-	295,322
Franchise and other taxes					84,892	-	84,892
Total taxes					494,809	-	494,809
Interest income					3,168	20,358	23,526
Total general revenues					497,977	20,358	518,335
Change in net position					415,605	276,558	692,163
Net position - beginning					2,511,181	3,477,758	5,988,939
Net position - ending					\$ 2,926,786	3,754,316	6,681,102

The accompanying notes are an integral part of these financial statements.

CITY OF RIVER HEIGHTS
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2020

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Pooled cash and cash equivalents	\$ 120,434	174,014	294,448
Receivables, net	<u>199,643</u>	<u>-</u>	<u>199,643</u>
Total assets	<u>320,077</u>	<u>174,014</u>	<u>494,091</u>
<u>Liabilities, Deferred Inflows of Resources & Fund Balance</u>			
Liabilities:			
Accounts payable and accrued liabilities	26,027	-	26,027
Deferred inflows of resources	<u>112,463</u>	<u>-</u>	<u>112,463</u>
Total liabilities & deferred inflows	<u>138,490</u>	<u>-</u>	<u>138,490</u>
Fund balance:			
Restricted for:			
Roads	-	-	-
Impact fees	-	-	-
Assigned for:			
Capital projects	-	174,014	174,014
Unassigned	<u>181,587</u>	<u>-</u>	<u>181,587</u>
Total fund balance	<u>181,587</u>	<u>174,014</u>	<u>355,601</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 320,077</u>	<u>174,014</u>	<u>494,091</u>

The accompanying notes are an integral part of these financial statements.

CITY OF RIVER HEIGHTS
 RECONCILIATION OF THE BALANCE SHEET
 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 JUNE 30, 2020

Total fund balance for governmental funds \$ 355,601

Net position is different because:

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

Land	\$	196,814	
Buildings		1,088,816	
Equipment		279,374	
Infrastructure		1,918,566	
Accumulated depreciation		<u>(912,385)</u>	<u>2,571,185</u>

Net position of governmental activities \$ 2,926,786

The accompanying notes are an integral part of these financial statements.

CITY OF RIVER HEIGHTS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 494,809	-	494,809
Licenses	12,241	-	12,241
Intergovernmental	164,283	56,468	220,751
Charges for services	234,267	-	234,267
Fines and forfeitures	1,526	-	1,526
Miscellaneous revenues	7,961	2,751	10,712
	<u>915,087</u>	<u>59,219</u>	<u>974,306</u>
Expenditures:			
General government	127,117	-	127,117
Sanitation	171,911	-	171,911
Public safety	85,531	-	85,531
Streets and public improvements	98,154	245,358	343,512
Parks and recreation	66,386	56,085	122,471
	<u>549,099</u>	<u>301,443</u>	<u>850,542</u>
Excess (deficiency) of revenues over expenditures	<u>365,988</u>	<u>(242,224)</u>	<u>123,764</u>
Other financing sources:			
Transfers in (out)	<u>(336,848)</u>	<u>409,620</u>	<u>72,772</u>
Total other financing uses	<u>(336,848)</u>	<u>409,620</u>	<u>72,772</u>
Excess (deficiency) of revenues and other financing uses over expenditures and other financing uses	29,140	167,396	196,536
Fund balance - beginning of year	<u>152,447</u>	<u>6,618</u>	<u>159,065</u>
Fund balance - end of year	<u>\$ 181,587</u>	<u>174,014</u>	<u>355,601</u>

The accompanying notes are an integral part of these financial statements.

CITY OF RIVER HEIGHTS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balance - Total governmental funds	\$	196,536
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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 as depreciation expense. This is the amount by which capital outlays of \$301,444 exceeded depreciation expense of \$82,375 in the current year.

219,069

Change in net position of governmental activities	\$	<u>415,605</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF RIVER HEIGHTS
STATEMENT OF NET POSITION -
PROPRIETARY FUND
JUNE 30, 2020

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Collection</u>	<u>Total Business- Type Activities</u>
Pooled cash and cash equivalents	\$ 756,354	974,331	1,730,685
Receivables, net	154,186	38,269	192,455
Fixed assets, net	<u>1,716,156</u>	<u>150,106</u>	<u>1,866,262</u>
Total assets	<u>2,626,696</u>	<u>1,162,706</u>	<u>3,789,402</u>
 <u>Liabilities</u> 			
Accounts payable and accrued liabilities	19,428	15,658	35,086
Non-current liabilities:			
Due within one year	-	-	-
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>19,428</u>	<u>15,658</u>	<u>35,086</u>
 <u>Net Position</u> 			
Investments in capital assets, net of related debt	1,716,156	150,106	1,866,262
Restricted:			
Impact fees	31,179	84,626	115,805
Unrestricted	<u>859,933</u>	<u>912,316</u>	<u>1,772,249</u>
Total net position	<u>\$ 2,607,268</u>	<u>1,147,048</u>	<u>3,754,316</u>

The accompanying notes are an integral part of these financial statements.

CITY OF RIVER HEIGHTS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Water Utility</u>	<u>Wastewater Collection</u>	<u>Total Business- Type Activities</u>
Operating revenues:			
Services	\$ 443,415	324,474	767,889
Connection fees	1,500	1,200	2,700
Other operating revenues	1,050	-	1,050
	<u>445,965</u>	<u>325,674</u>	<u>771,639</u>
Operating expenses:			
Wages and benefits	69,632	40,168	109,800
Current expenses	127,771	180,847	308,618
Depreciation	72,093	28,698	100,791
	<u>269,496</u>	<u>249,713</u>	<u>519,209</u>
Operating income (loss)	176,469	75,961	252,430
Non-operating income (expense):			
Interest income	8,871	11,487	20,358
Impact fee income	2,211	1,559	3,770
	<u>11,082</u>	<u>13,046</u>	<u>24,128</u>
Change in net position	187,551	89,007	276,558
Net position - beginning of year	<u>2,419,717</u>	<u>1,058,041</u>	<u>3,477,758</u>
Net position - end of year	\$ <u><u>2,607,268</u></u>	<u><u>1,147,048</u></u>	<u><u>3,754,316</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF RIVER HEIGHTS
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Water Utility</u>	<u>Wastewater Collection</u>	<u>Total Business- Type Activities</u>
<u>Cash flows from operating activities:</u>			
Receipts from customers and users	\$ 335,782	321,077	656,859
Payments to employees	(69,632)	(40,168)	(109,800)
Payments to suppliers	<u>(129,661)</u>	<u>(180,400)</u>	<u>(310,061)</u>
Net cash provided by operating activities	<u>136,489</u>	<u>100,509</u>	<u>236,998</u>
<u>Cash flows from non-capital financing activities</u>			
	-	-	-
<u>Cash flows from capital and related financing activities:</u>			
Purchase of capital assets	(6,000)	-	(6,000)
Impact fee income	<u>2,211</u>	<u>1,559</u>	<u>3,770</u>
Net cash provided (used) in capital and related financing activities	<u>(3,789)</u>	<u>1,559</u>	<u>(2,230)</u>
<u>Cash flows from investing activities:</u>			
Interest on investments	<u>8,871</u>	<u>11,487</u>	<u>20,358</u>
Net cash provided by investing activities	<u>8,871</u>	<u>11,487</u>	<u>20,358</u>
Net increase in cash and cash equivalents	141,571	113,555	255,126
Cash and cash equivalents at beginning of year	<u>614,783</u>	<u>860,776</u>	<u>1,475,559</u>
Cash and cash equivalents at end of year	<u>\$ 756,354</u>	<u>974,331</u>	<u>1,730,685</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 176,469	75,961	252,430
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	72,093	28,698	100,791
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(110,183)	(4,597)	(114,780)
Decrease in accounts payable	<u>(1,750)</u>	<u>182</u>	<u>(1,568)</u>
Total adjustments	<u>(39,840)</u>	<u>24,283</u>	<u>(15,557)</u>
Net cash provided by operating activities	<u>\$ 136,629</u>	<u>100,244</u>	<u>236,873</u>

The accompanying notes are an integral part of these financial statements.

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

River Heights City (the City) was incorporated under the laws of the state of Utah. The City operates by ordinance under the Mayor-Council form of government and provides such services as are authorized by its charter including public safety (police and fire), highway and streets, sanitation, recreation, public improvements, planning and zoning, and general administration. In addition, the City owns and operates water utilities.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989, which do not conflict with or contradict GASB pronouncements. The City has elected not to follow FASB pronouncements issued after November 30, 1989 in the preparation of these financial statements. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The interfund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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. The City applies expenses for restricted resources first when both restricted and unrestricted net position is available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

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 Capital Project Fund is used to account for financial resources to be used for the acquisition of capital facilities and equipment by the City.

The City reports the following major proprietary funds:

- The Water Utility accounts for the activities of the City's water production, treatment, and distribution operations.
- The Wastewater Collection fund accounts for the operation and maintenance of the City-owned collection system for wastewater.

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible fixed assets used is charged as an expense against the City's operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	20 to 40 years
Water system and equipment	10 to 40 years
Machinery and equipment	5 to 10 years
Roads and Infrastructure	40 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Long-term Debt

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists of bonds and notes payable.

Long-term debt for the governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principle and interest are reported as expenditures. The accounting for proprietary fund long-term debt is the same as in the fund statements as in the government-wide statements.

Equity Classifications: Government-wide Financial Statements

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

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- Restricted net position – Consists of net position with constraints placed on the usage whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Equity Classifications: Fund Financial Statements

In February 2009, GASB issued Statement No. 54 on Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2010. The statement applies only to governmental fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The governmental fund balances may be classified as follows:

- a. Non-spendable – Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balances – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provision or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- c. Committed fund balance – Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City Council, likewise, formally changes the use.
- d. Assigned fund balance – Fund balances are reported as assigned when the City Council or management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance – Fund balances in the General Fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless City Council has provided otherwise in its commitment or assignment actions.

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes attached as an enforceable lien on property as of May 22. Taxes are levied on June 15 and are due November 30. Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within 60 days after year end. This policy meets the criteria of GASB. Property taxes received within thirty (30) days of the year end are recognized as revenue at year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the City in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, the term “cash and cash equivalents” includes all demand deposit accounts, savings accounts, or other short-term, highly-liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted position) with original maturities of three months or less to be cash equivalents.

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as revenue until that time. Property taxes (previously reported as deferred revenues) are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These deferred inflows are reported on the Statement of Net Position and the Balance Sheet – Governmental Funds.

Subsequent Events

The City has evaluated all subsequent events through December 26, 2020, the date the financial statements were available to be issued.

Note 2 – Deposits and Investments

The City follows the requirements for the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This Act requires the depositing of City's 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 Utah 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 – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk. The uninsured portion of the City's bank balances on June 30, 2020 was \$428,244.

Investments

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

RIVER HEIGHTS CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

Note 2 – Deposits and Investments (continued)

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, one of which must be Moody’s Investors Service or Standards & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes and bonds; 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 money market mutual fund as defined by the Act; and the Utah State Public Treasurer’s Investment Fund (PTIF).

The Utah State Treasurer’s Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act established by 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, net of administrations fees, of the PTIF 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.

The City’s investments on June 30, 2020, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Quality Rating</u>
State of Utah PTIF	<u>\$1,206,143</u>	(Less than one year) <u>\$1,206,143</u>	Unrated

Interest Rate Risk – Interest rate risk is the risk that changes in the 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 Act. Section 51-7-11 of the 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 of 270 to 365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have remaining term to final maturity exceeding two years.

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 – Deposits and Investments (continued)

Credit Risk – 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 Act as previously discussed. See the quality ratings on the investment schedules above.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk in regard to the custody of the City’s investments.

Concentration of Credit Risk – Concentrations of credit risk is the risk of loss attributed to the magnitude of government’s investment in a single issuer. The City’s policy for reducing this risk of loss is to comply with the Rules of Money Management Council.

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 3 – Legal Compliance – Budgets

On or before the first scheduled City council meeting in May, all agencies of the City submit requests for appropriation to the City’s financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City council for review at the first scheduled meeting in May. The City council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the City council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that City officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 4 – Interfund Activities

On June 30, 2020, no interfund balances existed.

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 5 – Receivables

The City has property and sales taxes, accounts receivable and receivables due from other governments as of June 30, 2020 as follows:

<u>Governmental Funds:</u>	
Taxes:	
Property and other taxes	\$ 112,463
Sales tax	<u>46,637</u>
Total taxes receivable	<u>159,100</u>
Class "C" roads – State of Utah	14,058
A/R Garbage	19,705
A/R 911	3,827
A/R Storm Water	2,703
A/R Court	<u>250</u>
Total other receivables	<u>40,543</u>
Total receivables – Governmental Funds	\$ <u>199,643</u>
<u>Water Utility:</u>	
Accounts:	
Services and fees, net of allowance for bad debt	\$ <u>154,186</u>
Total receivables – Water	\$ <u>154,186</u>
<u>Wastewater Collection:</u>	
Accounts:	
Services and fees, net of allowance for bad debt	\$ <u>38,269</u>
Total receivables – Wastewater	\$ <u>38,269</u>

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 6 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2020, are as follows:

	July 1, 2019	Additions	Deletions	June 30, 2020
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 188,719	8,095	-	196,814
Total capital assets not being depreciated	188,719	8,095	-	196,814
Capital assets being depreciated:				
Buildings	1,055,583	33,233	-	1,088,816
Infrastructure	1,673,207	245,359	-	1,918,566
Machinery and equipment	265,534	14,757	(917)	279,374
Total capital assets being depreciated	2,994,324	293,349	(917)	3,286,756
Accumulated depreciation for:				
Buildings	(444,114)	(29,443)	-	(473,557)
Infrastructure	(161,365)	(45,833)	-	(207,198)
Machinery and equipment	(225,448)	(7,099)	917	(231,630)
Total accumulated depreciation	(830,927)	(82,375)	917	(912,385)
Total capital assets being depreciated, net	2,163,397	210,974	-	2,374,371
Total governmental activities Capital assets, net	\$ 2,352,116	219,069	-	2,571,185

Depreciation expense was charged to functions of the City as follows:

General government	\$ 16,504
Public safety	241
Streets and public improvements	46,320
Parks and recreation	19,310
Total depreciation expense	\$ 82,375

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 6 – Capital Assets (continued)

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land and water rights	\$ 3,450	-	-	3,450
Total capital assets not being depreciated	<u>3,450</u>	<u>-</u>	<u>-</u>	<u>3,450</u>
Capital assets being depreciated:				
Buildings and improvements	3,497,050	6,000	-	3,503,050
Machinery and equipment	<u>223,287</u>	<u>-</u>	<u>-</u>	<u>223,287</u>
Total capital assets being depreciated	<u>3,720,337</u>	<u>6,000</u>	<u>-</u>	<u>3,726,337</u>
Accumulated depreciation for:				
Buildings and improvements	(1,640,721)	(74,765)	-	(1,715,486)
Machinery and equipment	<u>(122,014)</u>	<u>(26,026)</u>	<u>-</u>	<u>(148,040)</u>
Total accumulated depreciation	<u>(1,762,735)</u>	<u>(100,791)</u>	<u>-</u>	<u>(1,863,526)</u>
Total capital assets being depreciated, net	<u>1,957,728</u>	<u>(94,791)</u>	<u>-</u>	<u>1,862,812</u>
Total business-type activities capital assets, net	\$ <u>1,961,178</u>	<u>(94,791)</u>	<u>-</u>	<u>1,866,262</u>

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 7 – Restricted Net Position/Fund Balance Classifications

Restricted net position represent amounts required to be maintained to satisfy third party agreements or legal requirements. On June 30, 2020 the Wastewater Collection Fund held \$84,626 for impact fees. On June 30, 2020 the Water Fund held \$31,179 for impact fees.

Pursuant to GASB No. 54 (see Note 1, *Equity Classifications: Fund Financial Statements*) the governmental fund balances are classified as follows:

Assigned fund balance – \$174,014 for future capital projects.

The remaining fund balance is unassigned.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIVER HEIGHTS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property tax	\$ 107,000	103,300	114,595	11,295
Sales tax	236,000	280,000	295,322	15,322
Franchise and other taxes	113,000	95,000	84,892	(10,108)
Licenses and permits	14,400	12,700	12,241	(459)
Intergovernmental	125,000	173,000	164,283	(8,717)
Charges for services	206,100	244,030	234,267	(9,763)
Fines and forfeitures	1,000	1,700	1,526	(174)
Miscellaneous revenues	<u>6,770</u>	<u>6,470</u>	<u>7,961</u>	<u>1,491</u>
Total revenues	<u>809,270</u>	<u>916,200</u>	<u>915,087</u>	<u>(1,113)</u>
Expenditures:				
General government	190,900	186,400	127,117	59,283
Public safety	86,400	86,400	85,531	869
Streets and public improvements	114,200	117,700	98,154	19,546
Sanitation	150,000	150,000	171,911	(21,911)
Parks and recreation	<u>111,300</u>	<u>92,000</u>	<u>66,386</u>	<u>25,614</u>
Total expenditures	<u>652,800</u>	<u>632,500</u>	<u>549,099</u>	<u>83,401</u>
Excess (deficiency) of revenues over expenditures	<u>156,470</u>	<u>283,700</u>	<u>365,988</u>	<u>82,288</u>
Other financing sources (uses):				
Increase (decrease) in fund balance	63,530	(1,700)	-	-
Transfers out:	<u>(220,000)</u>	<u>(282,000)</u>	<u>(336,848)</u>	<u>54,848</u>
Total other financing uses	<u>(156,470)</u>	<u>(283,700)</u>	<u>(336,848)</u>	<u>54,848</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing sources	<u>\$ -</u>	<u>-</u>	<u>29,140</u>	<u>137,136</u>
Fund balance - beginning of year			<u>152,447</u>	
Fund balance - end of year	\$		<u>181,587</u>	

See Independent Auditor's Report.

Independent Auditor's 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*

To the Honorable Mayor and City Council
River Heights City
River Heights, Utah

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, business-type activities, and each major fund of River Heights City (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise River Heights's basic financial statements and have issued my report thereon dated December 26, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the River Heights's internal control over financial reporting (internal control) to determine the procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the River Heights's internal control. Accordingly, I do not express an opinion on the effectiveness of River Heights's internal control.

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

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 the City's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion of 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.

MATTHEW REGEN, CPA, PC

December 26, 2020

Independent Auditor's Report in Accordance with the *State Compliance Audit Guide*

To the Honorable Mayor and City Council
River Heights City
River Heights, Utah

Report on Compliance with General State Compliance Requirements and for Each Major State Program

I have audited the River Heights City's (the City) compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2020.

General state compliance requirements were tested for the year ended June 30, 2020 in the following areas:

- Budgetary Compliance
- Fund Balance
- Restricted Taxes and Other Related Restricted Revenue
- Open and Public Meetings Act
- Public Treasurer's Bond
- Utah Public Finance Website
- Cash Management
- Impact Fees

The City received state funding from the following programs classified as major programs for the year ended June 30, 2020:

- B&C Road Funds (Department of Transportation)

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on the City's compliance based on my audit of the compliance requirements referred to above. I conducted my 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 I plan and perform the audit to

obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a direct and material effect on the City or its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on General State Compliance Requirements and Each Major State Program

In my opinion, River Heights City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

My 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. I did not

identify any deficiencies in internal control over compliance that I consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that were not identified.

Purpose of Report

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

MATTHEW REGEN, CPA, PC

December 26, 2020