

River Heights City

COUNCIL MEETING AGENDA

Tuesday, January 8, 2019

Notice is hereby given that the River Heights City Council will hold its regular council meeting beginning at 6:30 p.m. in the River Heights City Office Building at 520 S 500 E.

Opening Remarks (Clausen) and Pledge of Allegiance (Wilson)

Adoption of Previous Minutes and Agenda

Reports and Approval of Payments (Mayor, Council, Staff)

Public Comment

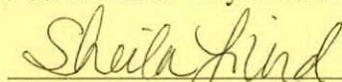
2017-18 Financial Audit Report, Presented by Matt Regan

~~Advice and Consent to Purchase a Fence for the 4-Acre Park (part of current approved budget)~~

Adjourn

postponed

Posted this 3rd day of January 2019



Sheila Lind, Recorder

Attachments for this meeting and drafts of previous meeting minutes can be found on the State's Public Notice Website (pmn.utah.gov)

In compliance with the American Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should notify Sheila Lind, (435) 770-2061 at least 24 hours before the meeting.

River Heights City

Council Meeting

January 8, 2019

3
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7
8 Present: Mayor Todd Rasmussen
9 Council members: Doug Clausen
10 Robert "K" Scott
11 Elaine Thatcher
12 Dixie Wilson
13 Blake Wright
14
15 Recorder Sheila Lind
16 Public Works Director Clayton Nelson
17 Finance Director Clifford Grover
18 Treasurer Wendy Wilker
19
20 Others Present: Matt Regan (auditor), Jim and Gayle Brackner
21
22

23 The following motions were made during the meeting:

24 Motion #1

25 Councilmember Scott moved to "adopt the evening's revised agenda with the omission of the
26 fence discussion." Councilmember Clausen seconded the motion, which passed with Clausen, Scott,
27 Thatcher, Wilson and Wright in favor. No one opposed.
28
29

30 Motion #2

31 Councilmember Scott moved to "pay the bills as listed." Councilmember Thatcher seconded
32 the motion, which passed with Clausen, Scott, Thatcher, Wilson and Wright in favor. No one opposed.
33

34 Motion #3

35 Councilmember Thatcher moved to "approve the minutes for the December 11 and 27, 2018
36 regular council meetings and the executive minutes for December 27, 2018 with clarifications."
37 Councilmember Scott seconded the motion, which carried with Clausen, Thatcher, Scott, Wilson and
38 Wright in favor. No one opposed.
39
40

41 Proceedings of the Meeting:

42
43 The River Heights City Council met at 6:30 p.m. in the Ervin R. Crosbie Council Chambers in
44 the River Heights City Building on Tuesday, January 8, 2019 for their regular council meeting.

45 Opening Remarks and Pledge of Allegiance: Councilmember Clausen opened the meeting with
46 a thought and Councilmember Wilson led the group in the Pledge of Allegiance.

47 Adoption of Previous Minutes and Agenda: Minutes for the prior meetings of December 11
48 and 27, 2018 were reviewed with clarifying changes. The minutes for the closed session on December
49 27, 2018 were silently reviewed. The agenda item concerning the fence on the city's four-acre
50 property, was postponed until spring.

51 **Councilmember Scott moved to "adopt the evening's revised agenda with the omission of**
52 **the fence discussion." Councilmember Clausen seconded the motion, which passed with**
53 **Clausen, Scott, Thatcher, Wilson and Wright in favor. No one opposed.**

54 (The minutes were adopted later in the meeting, at the request of a council member who wanted
55 more time to review them.)

56 Reports and Approval of Payments (Mayor, Council, Staff):

57

58 Public Works Director Nelson

- 59 • His department has been busy with snow removal.
- 60 • FD Grover asked Mr. Nelson if he had received any alternate bids for sand and salt. Mr.
61 Nelson wasn't aware he needed to get other bids. He explained the big problem with not using
62 Providence is that anywhere else wouldn't be efficient timewise. During a snow storm, if they
63 have to drive to get sand and salt, by the time they get back to plowing, they basically have to
64 start over. The only other option would be to have it in-house, which would be very expensive
65 because of state stormwater regulations. Mayor Rasmussen asked him to check with the
66 County just to find out their costs, including figures for additional time.

67

68 Finance Director Grover

- 69 • Budget numbers are currently tracking well although, the sewer fund is forecasted to be over on
70 expenses by \$85,000-90,000 by the end of the year. However, sewer revenue is ahead.

71

72 Treasurer Wilker

- 73 • Ms. Wilker explained line item #3: In 2006 the county decided they would be the recipient of
74 all the cities' liquor taxes. By accident, in December 2018, the money hit as a credit in our
75 checking account. The county contacted her and let her know it needed to be reimbursed to the
76 them. The council was curious how the mistake happened. Ms. Wilker will find out.
- 77 • Councilmember Clausen asked if he could have the ProLog check after it was signed. He
78 would like to take it to them personally to make sure the Weston shares are transferred into the
79 City's name.

80

81 **Councilmember Scott moved to "pay the bills as listed." Councilmember Thatcher**
82 **seconded the motion, which passed with Clausen, Scott, Thatcher, Wilson and Wright in favor.**
83 **No one opposed.**

84

85 Councilmember Thatcher

- 86 • Ms. Thatcher stated the youth ambassador flyer was delivered to each home, with the January
87 newsletter. Recorder Lind will make sure the application is on the website. Mayor Rasmussen
88 asked that the information go out to the local high schools with a request for them to announce
89 it to their students.

90

91 Councilmember Scott didn't have anything.

92

94 Councilmember Clausen

- 95 • Mr. Clausen asked for a discussion on the next agenda to decide how to proceed with the
96 Nyman Mortuary not paying their utility bill.
- 97 • He discussed some letters that were sent to Providence from Millville City and was interested
98 in copies of them. Treasurer Wilker volunteered to get copies of the letters.

99 Councilmember Wilson

- 100 • Ms. Wilson is in the process of getting bids for the tennis courts. Once she receives them, she
101 will work on filing for a RAPZ grant. The deadline is historically March 1. Councilmember
102 Clausen would like to apply for funds to help with the Old Church. The council needed to have
103 more discussion on a future plan for the building, which will be scheduled for their February 12
104 meeting.

105 Councilmember Wright didn't have anything.

106 Recorder Lind

- 107 • Ms. Lind and PWD Nelson discussed the future of the elliptical (donated by ICON) last fall.
108 Mr. Nelson reminded, the box will get ruined with it out in the shop this winter. Ms. Lind
109 informed that River Heights Elementary could use it as a grand prize for their fundraising walk-
110 a-thon. Mayor Rasmussen reported he asked Scott Watterson what he would like the city to do
111 with it and he responded that it didn't matter to him. Based on previous discussion, Mr. Nelson
112 said he has a friend who sets up Facebook contests, if the city wanted to boost their Facebook
113 following and use the elliptical as a prize. FD Grover suggested saving it as a donation for
114 Apple Days. The group was unsure whether there would be a give-way event at Apple Days,
115 as they have done in the past. It was agreed that Mr. Nelson will check on the Facebook
116 contest.

117 Mayor Rasmussen

- 118 • Mike Liechty, deputy superintendent of the Cache County School District, let him know that
119 Michael Ballam had contacted him, who was concerned that the city is trying to tear down the
120 Old Church to put in pickleball courts. He asked if the school district would be willing to let
121 the city install pickleball courts on the district property. Mr. Liechty assured Mayor Rasmussen
122 that the city would be welcome to use their property for basically, whatever they needed it for.
123 The school district is hoping to be out of the old school building within a couple years.

124 Public Comment: There was none.

125 Advice and Consent to Purchase a Fence for the 4-acre Park: To clarify the reason this item
126 was removed from the agenda, PWD Nelson explained, he got a couple bids last month but, due to the
127 cold weather and snow it wouldn't be worth putting posts in until spring. Since the bids are only good
128 for 30 days this will be put off for a few months.

129 Financial Audit Report, Presented by Matt Regan: Mr. Regan handed out and reviewed copies
130 of the audit report. He explained state requirements and reporting, which is public record.

131 Councilmember Clausen asked to find out which impact fees are due to expire. This
132 information was pointed out to him in the report. Mr. Regan assured the city is compliant in this area.
133

138 The council appreciated the abbreviated version of the audit, which they could understand
139 better than the full report.

140 **Councilmember Thatcher moved to “approve the minutes for the December 11 and 27**
141 **2018 regular council meetings and the executive minutes for December 27, 2018 with**
142 **clarifications.” Councilmember Scott seconded the motion, which carried with Clausen,**
143 **Thatcher, Scott, Wilson and Wright in favor. No one opposed.**

144 The meeting adjourned at 7:35 p.m.

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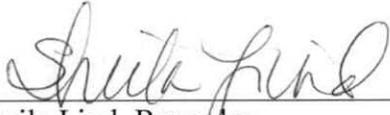
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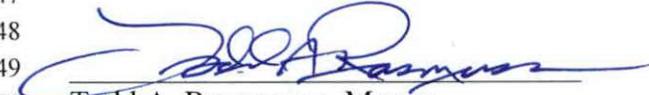
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Sheila Lind, Recorder

Todd A. Rasmussen, Mayor

River Heights City Bills To Be Paid

1/8/2019

	Payee	Description	Admin.	P&Z	Parks/Rec	Pub. Safety	Com. Aff.	Roads	Water	Sewer	Total
1	Beazer Lock & Key	Locks for Storage rooms			\$135.24			\$135.24	\$135.24	\$135.24	\$540.96
2	Blue Stakes of Utah	E-Mail Notifications	\$33.38						\$33.38	\$34.39	\$101.15
3	Cache County Auditor	December Liquor Tax Reimbursed to Cou	\$1,007.57								\$1,007.57
4	Cache Mayors Association	Annual Dues	\$350.00								\$350.00
5	Caselle, Inc.	Monthly Support Fee	\$91.69						\$91.66	\$91.65	\$275.00
6	Chevron & Texaco	Fuel for City Vehicles			\$31.95			\$31.96	\$31.96	\$31.96	\$127.83
7	City of Logan	Fire Contract 2019				\$32,960.00					\$32,960.00
8	Denny's	Office Supplies	\$91.14								\$91.14
9	Forsgren & Associates	Stormwater Inspection Labor						\$361.25			\$361.25
10	Freedom Mailing	Monthly Fee	\$144.20						\$48.07	\$48.07	\$240.34
11	Gabriel Rasmussen	Newsletter Delivery	\$150.00								\$150.00
12	IPACO	Plow Guide Flags						\$21.60			\$21.60
13	Kayla Brockhaus	Utility Deposit Refund							\$6.53		\$6.53
14	Lorene Greenhalgh	Building Deposit Refund			\$100.00						\$100.00
15	Lowe's	Storage Shelves for Shop/Storage Areas			\$85.49			\$85.49	\$85.50	\$85.50	\$341.98
16	Providence Logan Irrigation	Weston 2 years \$2570 - RHC 1 year \$1550							\$4,120.00		\$4,120.00
17	Sam's Club	Late Fee on Annual Membership 2 days la	\$33.96								\$33.96
18	Secure Instant Payments	Monthly Service Fee	\$12.74						\$12.73	\$12.73	\$38.20
19	Thomas Petroleum	Fuel for City Vehicles			\$85.58			\$85.58	\$85.58	\$85.58	\$342.32
20	Verizon Wireless	Monthly City Cell Phones	\$35.84						\$35.84	\$35.84	\$107.52
21	Xerox Corporation	Copier Monthly Fee	\$33.45								\$33.45
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Page 1 SubTotals			\$1,983.97		\$438.26	\$32,960.00		\$721.12	\$4,686.49	\$560.96	\$41,350.80

Page 1 Total Amount to be Paid \$41,350.80

River Heights City
 Financial Summary
 'December 31, 2018

Cash Balance By Fund

	11/30/18	12/31/18	Net Change	% of Total
General Fund	50,170.62	151,457.49	101,286.87	9.04%
Capital Projects Fund	18,273.66	104,833.32	86,559.66	6.26%
Water Fund	541,978.93	552,595.55	10,616.62	33.00%
Sewer Fund	855,918.87	865,746.60	9,827.73	51.70%
Total Cash Balance	1,466,342.08	1,674,632.96	208,290.88	100.00%

		YTD Actual	Annual Budget	Unexpended Budget	% Of Budget Incurred	% Of Time Incurred
General Fund						
Revenue		427,184.98	757,030.00	329,845.02	56.43%	50.41%
Expenditures	Administrative	70,787.49	162,050.00	91,262.51	43.68%	50.41%
	Office	6,357.33	17,120.00	10,762.67	37.13%	50.41%
	Community Affairs	8,877.42	18,400.00	9,522.58	48.25%	50.41%
	Planning & Zoning	1,828.29	8,470.00	6,641.71	21.59%	50.41%
	Public Safety	33,292.39	86,400.00	53,107.61	38.53%	50.41%
	Roads	42,938.85	104,000.00	61,061.15	41.29%	50.41%
	Parks & Recreation	29,487.62	90,800.00	61,312.38	32.48%	50.41%
	Sanitation	84,074.25	150,000.00	65,925.75	56.05%	50.41%
	Transfer To CP Fund	120,000.00	120,000.00	-	100.00%	
Total Expenditures		397,643.64	757,240.00	359,596.36	52.51%	50.41%
Net Revenue Over Expenditures		29,541.34	(210.00)	(29,751.34)		
Capital Projects Fund						
Revenue		920.37	400.00	(520.37)		50.41%
Transfer From General Fund		120,000.00	120,000.00	-		
Expenditures	Administrative		130,000.00	130,000.00		50.41%
	Parks & Recreation		152,750.00	152,750.00		50.41%
	Roads	278,937.17	757,750.00	478,812.83		50.41%
		-	-	-		50.41%
Total Expenditures		278,937.17	1,040,500.00	761,562.83		50.41%
Net Revenue Over Expenditures		(158,016.80)	(920,100.00)	(762,083.20)		
Water Fund						
Revenue		215,600.44	346,130.00	130,529.56	62.29%	50.41%
Expenditures		115,701.92	272,250.00	156,548.08	42.50%	50.41%
Net Revenue Over Expenditures		99,898.52	73,880.00	(26,018.52)		
Sewer Fund						
Revenue		147,361.25	249,500.00	102,138.75	59.06%	50.41%
Expenditures		143,635.60	310,250.00	166,614.40	46.30%	50.41%
Net Revenue Over Expenditures		3,725.65	(60,750.00)	(64,475.65)		

River Heights City

Annual Financial Audit and Update
Fiscal Year Ended June 30, 2018



Who am I?

- Matthew Regen
 - Certified Public Accountant
 - Bachelor's & Master's Degrees in Accounting
 - Local Government Auditor
 - 20 years experience



External Reporting Requirements

- What is required by State Auditor's Office for FY 2018?
 - Budget
 - Prepared by City
 - Financial Audit Reports
 - Prepared by Auditor
 - Financial Certification
 - Prepared by City
 - Utah Public Finance Submission
 - Prepared by City
 - Impact Fee Report
 - Prepared by City
 - Deposit and Investment Form
 - Prepared by City

Independent Auditor's Report

"In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position... of the City as of June 30, 2018."

Auditor's Report on Compliance & Internal Control

- "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."

Auditor's Report on State Compliance

"In my opinion, River Heights City, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2018."

Compliance Area: Budget

- Held public hearing
- Adopted by Council
- Submitted to State Auditors Office
- Operate city services within budgeted amounts

Compliance Area: Fund Balance Limitations

- Unrestricted general fund balance cannot exceed 25% of annual general fund revenue
 - Maximum allowed for FY 2018 \$201,075
 - Actual for FY 2018 \$162,959

Compliance Area: Public Treasurer's Bond

- Bond amount to be at least \$70,000 or 6% of budgeted revenues
- Verify that bond exists and covers treasurer

Compliance Area: Impact Fees

- Separate record keeping requirements
- Used for qualifying expenses
- Used within 6 years from collection date
- Report filed with the State annually

Compliance Area: Public Meetings

- 24 hour notice was given before each meeting was held
- Minutes were posted to Utah Public Notice Website within 3 days

General Fund Overview

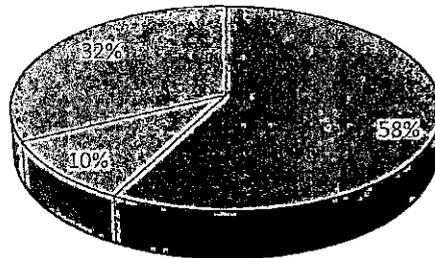
- The General Fund is used to account for the general operations and activities of the city, such as public safety, parks, snow removal, etc.
- Revenue comes from property and sales taxes, licenses, grants, etc.
- The General Fund expenses consists of salaries & wages, supplies, equipment, etc.

Financial Highlights

- Total City assets - \$5,860,734
- Total City liabilities - \$167,284
- City-wide net position (equity) increased by \$455,270 to \$5,693,450

General Fund Revenues – 2018

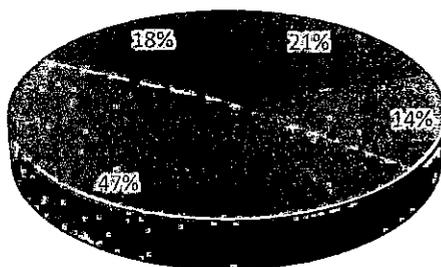
Revenues



- ☐ Taxes, Property, Sales, etc.
- ☐ Intergovernmental
- ☐ Charges for Services

General Fund Expenses - 2016

Expenses



- ▣ General Government
- ▣ Public Safety
- ▣ Streets & Public Improvements
- ▣ Parks & Recreation

General Fund Operations

	FY Ended 2018	FY Ended 2017
Revenues:		
Taxes	\$ 456,617	\$ 448,717
Charges for services	236,321	189,099
Other revenues	6,618	11,038
Licenses and permits	24,325	33,611
Intergovernmental	<u>80,418</u>	<u>79,719</u>
Total Revenues	\$ <u>804,299</u>	\$ <u>762,184</u>
Expenditures:		
General government	\$ 113,998	\$ 129,087
Public safety	83,775	98,881
Sanitation	146,829	135,583
Parks and recreations	84,510	58,877
Streets and public improvements	<u>92,128</u>	<u>44,495</u>
Total Expenditures	\$ <u>521,240</u>	\$ <u>466,923</u>
Change in fund balance	\$ <u>283,059</u>	\$ <u>295,261</u>

General Fund Budget

	Actual	Budget	Variance
Revenues:			
Taxes	\$ 456,617	\$ 430,600	\$ 26,017
Licenses and permits	24,325	23,600	725
Intergovernmental	80,418	74,100	6,318
Charges for services	236,321	231,100	5,221
Fines and forfeitures	895	1,000	(105)
Miscellaneous revenues	<u>5,723</u>	<u>31,730</u>	<u>(26,007)</u>
Total Revenues	\$ <u>804,299</u>	\$ <u>792,130</u>	\$ <u>12,169</u>
Expenditures:			
General government	\$ 113,998	\$ 190,640	\$ (76,642)
Public safety	83,775	84,100	(325)
Streets and public improvements	92,128	96,200	(4,072)
Sanitation	146,829	145,000	1,829
Parks and recreation	<u>84,510</u>	<u>93,216</u>	<u>(8,706)</u>
Total Expenditures	\$ <u>521,240</u>	\$ <u>609,156</u>	\$ <u>(87,916)</u>
Change in fund balance	\$ <u>283,059</u>	\$ <u>182,974</u>	\$ <u>100,085</u>

Proprietary Funds (Water and Sewer Utilities)

- The Proprietary Funds are used for services provided to the public on a user-charge basis.
- The Water Utility Fund accounts for the City's water production, treatment, and distribution activities.
- The Sewer Utility Fund accounts for the City's sewer treatment operations.
- Revenue comes from the charges to the public for services rendered.

Water Fund Operations

	FY Ended 2018	FY Ended 2017
Operating Revenues:		
Services	\$ 329,522	\$ 348,654
Connection fees	<u>33,034</u>	<u>19,076</u>
Total Operating Revenues	\$ <u>362,556</u>	\$ <u>367,730</u>
Operating Expenses:		
Wages and benefits	\$ 72,980	\$ 70,093
Current expenses	98,653	100,078
Depreciation	<u>72,150</u>	<u>71,268</u>
Total Operating Expenses:	\$ <u>243,783</u>	\$ <u>241,439</u>
Non-operating Income (Expenses):		
Interest income	\$ 1,600	\$ 399
Impact fee income	<u>60,570</u>	<u>28,532</u>
Change in net position	\$ <u>180,943</u>	\$ <u>155,222</u>

Sewer Fund Operations

	FY Ended 2018	FY Ended 2017
Operating Revenues:		
Services	\$ 240,752	\$ 152,966
Connection fees	<u>28,100</u>	<u>13,200</u>
Total Operating Revenues	\$ <u>268,852</u>	\$ <u>166,166</u>
Operating Expenses:		
Wages and benefits	\$ 42,862	\$ 40,699
Current expenses	191,763	122,137
Depreciation	<u>27,736</u>	<u>25,367</u>
Total Operating Expenses:	\$ <u>262,361</u>	\$ <u>188,203</u>
Non-operating Income (Expenses):		
Interest income	\$ 3,766	\$ 1,798
Impact fee income	<u>48,830</u>	<u>24,182</u>
Change in net position	\$ <u>59,087</u>	\$ <u>3,943</u>

Thank you!

If you have any questions please call me at
(435)752-4864.



RIVER HEIGHTS CITY

Financial Statements

For the Year Ended June 30, 2018

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, 2018, 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, 2018, 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 7, 2018 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 7, 2018

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, 2018. 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 2018 by \$455,270 to a total of \$5,693,450. The governmental net position increased by \$215,210 and the business-type net position increased by \$240,060.
- The total net position (government and business-type activities) of the City consist of \$3,941,116 in capital assets, net of related debt, \$280,301 in restricted net position, and \$1,472,033 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 \$5,693,450.

By far, the largest portion of the City's net position (69 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$	576,888	573,862	509,970	1,342,730	1,041,616	945,457
Capital assets		1,917,531	1,920,608	1,609,233	2,023,585	2,079,669	2,019,090
Total assets		<u>2,494,419</u>	<u>2,494,470</u>	<u>2,119,203</u>	<u>3,366,315</u>	<u>3,121,285</u>	<u>2,964,547</u>
Current liab. and deferred inflows		129,005	294,266	149,729	38,279	33,309	35,766
Noncurrent liabilities		-	-	-	-	-	-
Total liabilities and deferred inflows		<u>129,005</u>	<u>294,266</u>	<u>149,729</u>	<u>38,279</u>	<u>33,309</u>	<u>35,766</u>
Invested in capital assets, net of debt		1,917,531	1,920,608	1,609,233	2,023,585	2,079,669	2,019,090
Restricted		144,105	136,196	183,068	-	55,539	127,134
Unrestricted		303,778	182,280	177,173	1,304,451	952,768	782,557
Total net position	\$	<u>2,365,414</u>	<u>2,200,204</u>	<u>1,969,474</u>	<u>3,238,036</u>	<u>3,087,976</u>	<u>2,928,781</u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 265,730	232,908	255,764	740,838	586,640	628,357
Operating grants	80,418	79,719	68,853	-	-	-
Capital grants	-	-	-	-	-	-
General revenues:						
Property taxes	106,548	109,287	101,861	-	-	-
Sales and use taxes	254,700	339,430	320,295	-	-	-
Other revenues	97,949	934	635	5,366	2,197	8,941
Total revenues	<u>805,345</u>	<u>762,278</u>	<u>747,408</u>	<u>746,204</u>	<u>588,837</u>	<u>637,298</u>
Expenses:						
General government	123,261	139,076	189,944	-	-	-
Public safety	85,834	100,940	100,280	-	-	-
Streets and public improvements	275,757	198,831	203,307	-	-	-
Parks and recreation	105,283	92,701	75,258	-	-	-
Water utility	-	-	-	243,783	241,439	211,774
Wastewater Collection	-	-	-	262,361	188,203	173,649
Total expenses	<u>590,135</u>	<u>531,548</u>	<u>568,789</u>	<u>506,144</u>	<u>429,642</u>	<u>385,423</u>
Transfers	-	-	-	-	-	-
Change in net position	<u>215,210</u>	<u>230,730</u>	<u>178,619</u>	<u>240,060</u>	<u>159,195</u>	<u>251,875</u>
Net position – beginning (07-01)	2,150,204	1,969,474	1,790,855	3,087,976	2,928,781	2,676,906
Net position – ending (06-30)	<u>\$ 2,365,414</u>	<u>2,150,204</u>	<u>1,969,474</u>	<u>3,328,036</u>	<u>3,087,976</u>	<u>2,928,781</u>

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 \$447,370, an increase of \$192,513 in comparison with the prior year. Of this total amount \$303,265 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 56 percent of total general fund revenues. The two largest elements of taxes are sales taxes and property taxes. Combined, they represent 79 percent of total tax revenues and 44 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 \$792,130. The actual revenue was \$804,299. This resulted in a favorable variance of \$12,169 for revenue. The General Fund budget for expenditures was \$609,156. The actual expenditures were \$521,240. This resulted in a favorable variance of \$87,916 for expenditures. Overall, the City had a favorable variance for the excess of revenues over expenditures of \$100,085.

CAPITAL ASSETS

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$3,941,116 (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 \$108,277, and depreciation expense was \$168,783.

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

- \$76,693 for road improvements.
- \$31,584 for water system improvements.
- New lighting for the parks, new backhoe, and other equipment.

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, 2018

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Pooled cash and cash equivalents	\$ 387,176	1,260,813	1,647,989
Receivables, net	189,712	81,917	271,629
Fixed assets, net	1,917,531	2,023,585	3,941,116
Total assets	2,494,419	3,366,315	5,860,734
<u>Liabilities & Deferred Inflows of Resources</u>			
Liabilities:			
Accounts payable and accrued expenses	20,852	38,279	59,131
Deferred inflows of resources	108,153	-	108,153
Total liabilities & deferred inflows	129,005	38,279	167,284
<u>Net Position</u>			
Investments in capital assets, net of related debt	1,917,531	2,023,585	3,941,116
Restricted:			
Capital outlay	122,544	-	122,544
Impact fees	21,561	136,196	157,757
Unrestricted	303,778	1,168,255	1,472,033
Total net position	\$ 2,365,414	3,328,036	5,693,450

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

CITY OF RIVER HEIGHTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ 123,261	83,372	-	-	(39,889)	-	(39,889)
Sanitation	146,829	151,761	-	-	4,932	-	4,932
Public safety	85,834	23,654	-	-	(62,180)	-	(62,180)
Streets and public improvements	128,928	-	76,979	-	(51,949)	-	(51,949)
Parks and recreation	105,283	6,943	3,439	-	(94,901)	-	(94,901)
Total governmental activities	590,135	265,730	80,418	-	(243,987)	-	(243,987)
Business-type activities:							
Water Utility	243,783	423,156	-	-	-	179,373	179,373
Wastewater Collection	262,361	317,682	-	-	-	55,321	55,321
Total business-type activities	506,144	740,838	-	-	-	234,694	234,694
Total primary government	\$ 1,096,279	1,006,568	80,418	-	(243,987)	234,694	(9,293)
General revenues:							
Taxes:							
Property tax					106,548	-	106,548
Sales and use tax					254,700	-	254,700
Franchise and other taxes					95,369	-	95,369
Total taxes					456,617	-	456,617
Interest income					2,580	5,366	7,946
Total general revenues					459,197	5,366	464,563
Change in net position					215,210	240,060	455,270
Net position - beginning					2,150,204	3,087,976	5,238,180
Net position - ending					\$ 2,365,414	3,328,036	5,693,450

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

CITY OF RIVER HEIGHTS
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2018

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Pooled cash and cash equivalents	\$ 264,632	122,544	387,176
Receivables, net	<u>189,199</u>	<u>-</u>	<u>189,199</u>
Total assets	<u>453,831</u>	<u>122,544</u>	<u>576,375</u>
<u>Liabilities, Deferred Inflows of Resources & Fund Balance</u>			
Liabilities:			
Accounts payable and accrued liabilities	20,852	-	20,852
Deferred inflows of resources	<u>108,153</u>	<u>-</u>	<u>108,153</u>
Total liabilities & deferred inflows	<u>129,005</u>	<u>-</u>	<u>129,005</u>
Fund balance:			
Restricted for:			
Roads	-	-	-
Impact fees	21,561	-	21,561
Assigned for:			
Capital projects	-	122,544	122,544
Unassigned	<u>303,265</u>	<u>-</u>	<u>303,265</u>
Total fund balance	<u>324,826</u>	<u>122,544</u>	<u>447,370</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 453,831</u>	<u>122,544</u>	<u>576,375</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, 2018

Total fund balance for governmental funds \$ 447,370

Net position is different because:

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

Land	\$	188,719	
Buildings		883,718	
Equipment		265,534	
Infrastructure		1,338,228	
Accumulated depreciation		<u>(758,668)</u>	<u>1,917,531</u>

Net position of governmental activities \$ 2,365,414

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, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 456,617	-	456,617
Licenses	24,325	-	24,325
Intergovernmental	80,418	-	80,418
Charges for services	236,321	-	236,321
Fines and forfeitures	895	-	895
Miscellaneous revenues	5,723	1,047	6,770
Total revenues	804,299	1,047	805,346
Expenditures:			
General government	113,998	4,900	118,898
Sanitation	146,829	-	146,829
Public safety	83,775	-	83,775
Streets and public improvements	92,128	86,693	178,821
Parks and recreation	84,510	-	84,510
Total expenditures	521,240	91,593	612,833
Excess (deficiency) of revenues over expenditures	283,059	(90,546)	192,513
Other financing sources:			
Transfers in (out)	(140,000)	140,000	-
Total other financing uses	(140,000)	140,000	-
Excess (deficiency) of revenues and other financing uses over expenditures and other financing uses	143,059	49,454	192,513
Fund balance - beginning of year	182,280	73,090	255,370
Fund balance - end of year	\$ 325,339	122,544	447,370

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, 2018

Net change in fund balance - Total governmental funds	\$	192,513
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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 \$91,593 exceeded depreciation expense of \$68,896 in the current year.

22,697

Change in net position of governmental activities	\$	<u>215,210</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, 2018

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Collection</u>	<u>Total Business- Type Activities</u>
Pooled cash and cash equivalents	\$ 410,539	850,274	1,260,813
Receivables, net	54,257	27,660	81,917
Fixed assets, net	<u>1,850,817</u>	<u>172,768</u>	<u>2,023,585</u>
Total assets	<u>2,315,613</u>	<u>1,050,702</u>	<u>3,366,315</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	22,631	15,648	38,279
Non-current liabilities:			
Due within one year	-	-	-
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>22,631</u>	<u>15,648</u>	<u>38,279</u>
<u>Net Position</u>			
Investments in capital assets, net of related debt	1,850,817	172,768	2,023,585
Restricted:			
Impact fees	29,625	106,571	136,196
Unrestricted	<u>412,540</u>	<u>755,715</u>	<u>1,168,255</u>
Total net position	<u>\$ 2,292,982</u>	<u>1,035,054</u>	<u>3,328,036</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, 2018

	<u>Water Utility</u>	<u>Wastewater Collection</u>	<u>Total Business- Type Activities</u>
Operating revenues:			
Services	\$ 329,552	240,752	570,304
Connection fees	33,000	28,100	61,100
Other operating revenues	34	-	34
	<u>362,586</u>	<u>268,852</u>	<u>631,438</u>
Total operating revenues			
Operating expenses:			
Wages and benefits	72,980	42,862	115,842
Current expenses	98,653	191,763	290,416
Depreciation	72,150	27,736	99,886
	<u>243,783</u>	<u>262,361</u>	<u>506,144</u>
Total operating expense			
Operating income (loss)	118,803	6,491	125,294
Non-operating income (expense):			
Interest income	1,600	3,766	5,366
Impact fee income	60,570	48,830	109,400
	<u>62,170</u>	<u>52,596</u>	<u>114,766</u>
Total non-operating income (expense)			
Change in net position	180,973	59,087	240,060
Net position - beginning of year	<u>2,112,009</u>	<u>975,967</u>	<u>3,087,976</u>
Net position - end of year	\$ <u><u>2,292,982</u></u>	<u><u>1,035,054</u></u>	<u><u>3,328,036</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, 2018

	<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	\$ 359,448	259,689	619,137
Payments to employees	(72,980)	(42,862)	(115,842)
Payments to suppliers	(94,800)	(202,863)	(297,663)
Net cash provided by operating activities	<u>191,668</u>	<u>13,964</u>	<u>205,632</u>
<u>Cash flows from non-capital financing activities</u>			
	-	-	-
<u>Cash flows from capital and related financing activities:</u>			
Purchase of capital assets	(31,584)	-	(31,584)
Impact fee income	60,570	48,830	109,400
Net cash used in capital and related financing activities	<u>28,986</u>	<u>48,830</u>	<u>77,816</u>
<u>Cash flows from investing activities:</u>			
Interest on investments	1,600	3,765	5,365
Net cash provided by investing activities	<u>1,600</u>	<u>3,765</u>	<u>5,365</u>
Net increase in cash and cash equivalents	222,254	66,559	288,813
Cash and cash equivalents at beginning of year	<u>188,285</u>	<u>783,715</u>	<u>972,000</u>
Cash and cash equivalents at end of year	<u>\$ 410,539</u>	<u>850,274</u>	<u>1,260,813</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 118,803	6,491	125,294
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	72,150	27,736	99,886
Change in assets and liabilities:			
Increase in accounts receivable	(3,138)	(9,163)	(12,301)
Decrease in accounts payable	3,853	(11,100)	(7,247)
Total adjustments	<u>72,865</u>	<u>7,473</u>	<u>80,338</u>
Net cash provided by operating activities	<u>\$ 191,668</u>	<u>13,964</u>	<u>205,632</u>

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

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018

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 \$1,000 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, 2018

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, 2018

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, 2018

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, 2018

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 7, 2018, 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, 2018 was \$596,733.

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, 2018

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, 2018, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u> (Less than one year)	<u>Quality Rating</u>
State of Utah PTIF	<u>\$305,504</u>	<u>\$305,504</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, 2018

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, 2018

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, 2018, no interfund balances existed.

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 5 – Receivables

The City has property and sales taxes, accounts receivable and receivables due from other governments as of June 30, 2018 as follows:

<u>Governmental Funds:</u>	
Taxes:	
Property and other taxes	\$ 108,153
Sales tax	<u>43,478</u>
Total taxes receivable	<u>151,631</u>
Class "C" roads – State of Utah	13,728
A/R Garbage	18,061
A/R 911	2,880
A/R Storm Water	2,649
A/R Court	<u>250</u>
Total other receivables	<u>37,568</u>
Total receivables – Governmental Funds	\$ <u>189,199</u>
 <u>Water Utility:</u>	
Accounts:	
Services and fees, net of allowance for bad debt	\$ <u>54,257</u>
Total receivables – Water	\$ <u>54,257</u>
 <u>Wastewater Collection:</u>	
Accounts:	
Services and fees, net of allowance for bad debt	\$ <u>27,660</u>
Total receivables – Wastewater	\$ <u>27,660</u>

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 6 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2018, are as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 178,719	10,000	-	188,719
Total capital assets not being depreciated	<u>178,719</u>	<u>10,000</u>	<u>-</u>	<u>188,719</u>
Capital assets being depreciated:				
Buildings	883,718	-	-	883,718
Infrastructure	1,288,314	76,693	(26,779)	1,338,228
Machinery and equipment	260,634	31,679	(26,779)	265,534
Total capital assets being depreciated	<u>2,432,667</u>	<u>108,372</u>	<u>(53,558)</u>	<u>2,487,480</u>
Accumulated depreciation for:				
Buildings	(398,066)	(21,573)	-	(419,640)
Infrastructure	(89,503)	(34,287)	1,004	(122,786)
Machinery and equipment	(203,207)	(13,036)	-	(216,242)
Total accumulated depreciation	<u>(690,777)</u>	<u>(68,896)</u>	<u>1,004</u>	<u>(758,668)</u>
Total capital assets being depreciated, net	<u>1,741,890</u>	<u>39,476</u>	<u>(52,554)</u>	<u>1,728,812</u>
Total governmental activities Capital assets, net	<u>\$ 1,920,608</u>	<u>49,476</u>	<u>(52,554)</u>	<u>1,917,530</u>

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

General government	\$ 9,263
Public safety	2,059
Streets and public improvements	36,800
Parks and recreation	20,773
Total depreciation expense	<u>\$ 68,896</u>

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 6 – Capital Assets (continued)

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land and water rights	\$ -	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Buildings and improvements	3,448,810	31,584	-	3,480,394
Machinery and equipment	195,918	-	-	208,137
Total capital assets being depreciated	3,644,728	31,584	-	3,688,531
Accumulated depreciation for:				
Buildings and improvements	(1,498,567)	(70,675)	-	(1,569,242)
Machinery and equipment	(66,492)	(29,212)	-	(95,704)
Total accumulated depreciation	(1,565,059)	(99,887)	-	(1,664,946)
Total capital assets being depreciated, net	2,079,669	(68,303)	-	2,023,585
Total business-type activities capital assets, net	\$ 2,079,669	(68,303)	-	2,023,585

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 the Wastewater Collection Fund held \$106,571 for impact fees. On June 30, 2018 the Water Fund held \$29,625 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 – \$262,850 for future capital projects.
Restricted fund balance - \$21,561 for parks

The remaining fund balance is unassigned.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIVER HEIGHTS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property tax	\$ 95,000	106,000	106,548	548
Sales tax	285,000	235,400	254,700	19,300
Franchise and other taxes	84,800	89,200	95,369	6,169
Licenses and permits	14,900	23,600	24,325	725
Intergovernmental	79,300	74,100	80,418	6,318
Charges for services	197,790	231,100	236,321	5,221
Fines and forfeitures	1,800	1,000	895	(105)
Miscellaneous revenues	9,400	31,730	5,723	(26,007)
Total revenues	<u>767,990</u>	<u>792,130</u>	<u>804,299</u>	<u>12,169</u>
Expenditures:				
General government	182,195	190,640	113,998	76,642
Public safety	99,460	84,100	83,775	325
Streets and public improvements	104,150	96,200	92,128	4,072
Sanitation	144,000	145,000	146,829	(1,829)
Parks and recreation	103,446	93,216	84,510	8,706
Total expenditures	<u>633,251</u>	<u>609,156</u>	<u>521,240</u>	<u>87,916</u>
Excess (deficiency) of revenues over expenditures	<u>134,739</u>	<u>182,974</u>	<u>283,059</u>	<u>100,085</u>
Other financing sources (uses):				
Increase in fund balance	(34,739)	(42,974)	-	-
Transfers out:	<u>(100,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Total other financing uses	<u>(134,739)</u>	<u>(182,974)</u>	<u>(140,000)</u>	<u>-</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing sources	<u>\$ -</u>	<u>-</u>	<u>143,059</u>	<u>100,085</u>
Fund balance - beginning of year			<u>182,280</u>	
Fund balance - end of year	\$		<u><u>325,339</u></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, 2018, 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 7, 2018.

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 7, 2018

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, 2018.

General state compliance requirements were tested for the year ended June 30, 2018 in the following areas:

- Budgetary Compliance
- Fund Balance
- Enterprise Fund Transfers
- Open and Public Meetings Act

The City received state funding from the following programs classified as major programs for the year ended June 30, 2018:

- 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, 2018.

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 7, 2018