

RIVER HEIGHTS CITY

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Financial Statements

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For the Year Ended June 30, 2021

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FINANCIAL SECTION

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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, 2021, 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.

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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, 2021, 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 30, 2021 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 30, 2021

## 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, 2021. 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 2021 by \$612,430 to a total of \$7,293,532. The governmental net position increased by \$721,438 and the business-type net position decreased by \$109,008.
- The total net position (government and business-type activities) of the City consist of \$4,722,849 in capital assets, net of related debt, \$755,151 in restricted net position, and \$1,815,532 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 \$7,293,532.

By far, the largest portion of the City's net position (65 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 903,237	494,091	343,026	1,830,523	1,923,140	1,553,234
Capital assets	2,875,057	2,571,185	2,352,116	1,847,792	1,866,262	1,961,178
<b>Total assets</b>	<b>3,778,294</b>	<b>3,065,276</b>	<b>2,695,142</b>	<b>3,678,315</b>	<b>3,789,402</b>	<b>3,514,412</b>
Current liab. and deferred inflows	130,070	138,490	183,961	33,007	35,086	36,654
Noncurrent liabilities	-	-	-	-	-	-
<b>Total liabilities and deferred inflows</b>	<b>130,070</b>	<b>138,490</b>	<b>183,961</b>	<b>33,007</b>	<b>35,086</b>	<b>36,654</b>
Invested in capital assets, net of debt	2,875,057	2,571,185	2,352,116	1,847,792	1,866,262	1,961,178
Restricted	675,980	174,014	6,618	79,171	115,805	115,671
Unrestricted	97,187	181,587	152,447	1,718,345	1,772,249	1,400,909
<b>Total net position</b>	<b>\$ 3,648,224</b>	<b>2,926,786</b>	<b>2,511,181</b>	<b>3,645,308</b>	<b>3,754,316</b>	<b>3,477,758</b>

## CHANGES IN NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 295,726	252,826	275,271	724,163	775,409	635,312
Operating grants	401,707	213,587	107,853	-	-	-
Capital grants	4,178	82,689	-	-	-	-
General revenues:						
Property taxes	112,639	114,595	124,189	-	-	-
Sales and use taxes	349,527	295,322	234,824	-	-	-
Other revenues	99,729	88,060	82,167	5,081	20,358	23,163
Total revenues	<u>1,263,506</u>	<u>1,047,079</u>	<u>824,304</u>	<u>729,244</u>	<u>795,767</u>	<u>658,475</u>
Expenses:						
General government	413,749	143,621	207,121	-	-	-
Public safety	92,396	85,772	84,470	-	-	-
Streets and public improvements	261,197	316,385	304,560	-	-	-
Parks and recreation	74,726	85,696	81,359	-	-	-
Water utility	-	-	-	268,894	269,496	228,028
Wastewater Collection	-	-	-	269,358	249,713	280,725
Total expenses	<u>842,068</u>	<u>631,474</u>	<u>677,510</u>	<u>538,252</u>	<u>519,209</u>	<u>508,753</u>
Transfers	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>721,438</u>	<u>415,605</u>	<u>146,794</u>	<u>(109,008)</u>	<u>276,558</u>	<u>149,722</u>
Net position – beginning (07-01)	2,926,786	2,511,181	2,364,387	3,754,316	3,477,758	3,328,036
Net position – ending (06-30)	<u>\$ 3,648,224</u>	<u>2,926,786</u>	<u>2,511,181</u>	<u>3,645,308</u>	<u>3,754,316</u>	<u>3,477,758</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 \$773,167, an increase of \$417,566 in comparison with the prior year. Of this total amount \$97,187 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 36 percent of total general fund revenues. The two largest elements of taxes are sales taxes and property taxes. Combined, they represent 82 percent of total tax revenues and 30 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 \$1,231,665. The actual revenue was \$1,091,540. This resulted in an unfavorable variance of \$140,125 for revenue. The General Fund budget for expenditures was \$1,181,665. The actual expenditures were \$1,145,940. This resulted in a favorable variance of \$35,725 for expenditures. Overall, the City had an unfavorable variance for the excess of revenues over expenditures of \$104,400.

### **CAPITAL ASSETS**

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$4,722,849 (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 \$451,232 and depreciation expense was \$165,830.

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

- \$4,986 for design– Stewart Hill Park.
- \$46,901 for well improvements.
- \$389,687 for road improvements.
- \$9,658 for sewer line extension.

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, 2021

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Pooled cash and cash equivalents	\$ 690,790	1,641,259	2,332,049
Receivables, net	212,447	189,264	401,711
Fixed assets, net	2,875,057	1,847,792	4,722,849
Total assets	3,778,294	3,678,315	7,456,609
<u>Liabilities &amp; Deferred Inflows of Resources</u>			
Liabilities:			
Accounts payable and accrued expenses	17,069	33,007	50,076
Deferred inflows of resources	113,001	-	113,001
Total liabilities & deferred inflows	130,070	33,007	163,077
<u>Net Position</u>			
Investments in capital assets, net of related debt	2,875,057	1,847,792	4,722,849
Restricted:			
Capital outlay	675,980	-	675,980
Impact fees	-	79,171	79,171
Unrestricted	97,187	1,718,345	1,815,532
Total net position	\$ 3,648,224	3,645,308	7,293,532

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

CITY OF RIVER HEIGHTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
General government	\$ 413,749	76,832	-	-	(336,917)	-	(336,917)
Sanitation	172,516	177,030	-	-	4,514	-	4,514
Public safety	92,396	32,791	-	-	(59,605)	-	(59,605)
Streets and public improvements	88,681	476	701,707	-	613,502	-	613,502
Parks and recreation	74,726	8,597	-	4,178	(61,951)	-	(61,951)
Total governmental activities	<u>842,068</u>	<u>295,726</u>	<u>701,707</u>	<u>4,178</u>	<u>159,543</u>	<u>-</u>	<u>159,543</u>
Business-type activities:							
Water Utility	268,894	351,094	-	-	-	82,200	82,200
Wastewater Collection	569,358	373,069	-	-	-	(196,289)	(196,289)
Total business-type activities	<u>838,252</u>	<u>724,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,089)</u>	<u>(114,089)</u>
Total primary government	<u>\$ 1,680,320</u>	<u>1,019,889</u>	<u>701,707</u>	<u>4,178</u>	<u>159,543</u>	<u>(114,089)</u>	<u>45,454</u>
General revenues:							
Taxes:							
Property tax					112,639	-	112,639
Sales and use tax					349,527	-	349,527
Franchise and other taxes					98,499	-	98,499
Total taxes					<u>560,665</u>	<u>-</u>	<u>560,665</u>
Interest income					1,230	5,081	6,311
Total general revenues					<u>561,895</u>	<u>5,081</u>	<u>566,976</u>
Change in net position					721,438	(109,008)	612,430
Net position - beginning					<u>2,926,786</u>	<u>3,754,316</u>	<u>6,681,102</u>
Net position - ending					<u>\$ 3,648,224</u>	<u>3,645,308</u>	<u>7,293,532</u>

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

CITY OF RIVER HEIGHTS  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Pooled cash and cash equivalents	\$ 14,810	675,980	690,790
Receivables, net	<u>212,447</u>	<u>-</u>	<u>212,447</u>
Total assets	<u>227,257</u>	<u>675,980</u>	<u>903,237</u>
<u>Liabilities, Deferred Inflows of Resources &amp; Fund Balance</u>			
Liabilities:			
Accounts payable and accrued liabilities	17,069	-	17,069
Deferred inflows of resources	<u>113,001</u>	<u>-</u>	<u>113,001</u>
Total liabilities & deferred inflows	<u>130,070</u>	<u>-</u>	<u>130,070</u>
Fund balance:			
Assigned for:			
Capital projects	-	675,980	675,980
Unassigned	<u>97,187</u>	<u>-</u>	<u>97,187</u>
Total fund balance	<u>97,187</u>	<u>675,980</u>	<u>773,167</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 227,257</u>	<u>675,980</u>	<u>903,237</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, 2021

Total fund balance for governmental funds \$ 773,167

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		1,093,802	
Equipment		279,374	
Infrastructure		2,308,253	
Accumulated depreciation		<u>(1,003,186)</u>	<u>2,875,057</u>

Net position of governmental activities \$ 3,648,224

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, 2021

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 560,665	-	560,665
Licenses	75,182	-	75,182
Intergovernmental	261,916	-	261,916
Charges for services	185,627	171,779	357,406
Fines and forfeitures	1,650	-	1,650
Miscellaneous revenues	6,500	187	6,687
	<u>1,091,540</u>	<u>171,966</u>	<u>1,263,506</u>
Total revenues			
Expenditures:			
General government	396,105	-	396,105
Sanitation	172,516	-	172,516
Public safety	92,155	-	92,155
Streets and public improvements	429,096	-	429,096
Parks and recreation	56,068	-	56,068
	<u>1,145,940</u>	<u>-</u>	<u>1,145,940</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(54,400)</u>	<u>171,966</u>	<u>117,566</u>
Other financing sources:			
Transfers in - Wastewater Collection	300,000		300,000
Transfers in (out)- Capital Projects	<u>(330,000)</u>	<u>330,000</u>	<u>-</u>
Total other financing uses	<u>(30,000)</u>	<u>330,000</u>	<u>300,000</u>
Excess (deficiency) of revenues and other financing uses over expenditures and other financing uses	<u>(84,400)</u>	<u>501,966</u>	<u>417,566</u>
Fund balance - beginning of year	<u>181,587</u>	<u>174,014</u>	<u>355,601</u>
Fund balance - end of year	<u>\$ 97,187</u>	<u>675,980</u>	<u>773,167</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, 2021

Net change in fund balance - Total governmental funds \$ 417,566

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 \$394,673 exceeded depreciation expense of \$90,801 in the current year.

303,872

Change in net position of governmental activities \$ 721,438

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

CITY OF RIVER HEIGHTS  
STATEMENT OF NET POSITION -  
PROPRIETARY FUND  
JUNE 30, 2021

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Collection</u>	<u>Total Business- Type Activities</u>
Pooled cash and cash equivalents	\$ 866,008	775,251	1,641,259
Receivables, net	152,392	36,872	189,264
Fixed assets, net	<u>1,691,009</u>	<u>156,783</u>	<u>1,847,792</u>
Total assets	<u>2,709,409</u>	<u>968,906</u>	<u>3,678,315</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	17,532	15,475	33,007
Non-current liabilities:			
Due within one year	-	-	-
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>17,532</u>	<u>15,475</u>	<u>33,007</u>
<u>Net Position</u>			
Investments in capital assets, net of related debt	1,691,009	156,783	1,847,792
Restricted:			
Impact fees	-	79,171	79,171
Unrestricted	<u>1,000,868</u>	<u>717,477</u>	<u>1,718,345</u>
Total net position	<u>\$ 2,691,877</u>	<u>953,431</u>	<u>3,645,308</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, 2021

	<u>Water Utility</u>	<u>Wastewater Collection</u>	<u>Total Business- Type Activities</u>
Operating revenues:			
Services	\$ 343,198	366,354	709,552
Connection fees	1,500	1,200	2,700
Other operating revenues	1,410	1,772	3,182
Total operating revenues	<u>346,108</u>	<u>369,326</u>	<u>715,434</u>
Operating expenses:			
Wages and benefits	75,172	44,780	119,952
Current expenses	121,674	221,597	343,271
Depreciation	72,048	2,981	75,029
Total operating expense	<u>268,894</u>	<u>269,358</u>	<u>538,252</u>
Operating income (loss)	77,214	99,968	177,182
Non-operating income (expense):			
Interest income	2,409	2,672	5,081
Impact fee income	4,986	3,743	8,729
Total non-operating income (expense)	<u>7,395</u>	<u>6,415</u>	<u>13,810</u>
Transfers out	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>
Change in net position	84,609	(193,617)	(109,008)
Net position - beginning of year	<u>2,607,268</u>	<u>1,147,048</u>	<u>3,754,316</u>
Net position - end of year	<u>\$ 2,691,877</u>	<u>953,431</u>	<u>3,645,308</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, 2021

	<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	\$ 347,902	370,723	718,625
Payments to employees	(75,172)	(44,780)	(119,952)
Payments to suppliers	(123,570)	(221,780)	(345,350)
Net cash provided by operating activities	<u>149,160</u>	<u>104,163</u>	<u>253,323</u>
<u>Cash flows from non-capital financing activities</u>			
	-	-	-
<u>Cash flows from capital and related financing activities:</u>			
Purchase of capital assets	(46,901)	(9,658)	(56,559)
Impact fee income	4,986	3,743	8,729
Net cash provided (used) in capital and related financing activities	<u>(41,915)</u>	<u>(5,915)</u>	<u>(47,830)</u>
<u>Cash flows from investing activities:</u>			
Interest on investments	2,409	2,672	5,081
Transfers out	-	(300,000)	(300,000)
Net cash provided (used) by investing activities	<u>2,409</u>	<u>(297,328)</u>	<u>5,081</u>
Net increase (decrease) in cash and cash equivalent:	109,654	(199,080)	(89,426)
Cash and cash equivalents at beginning of year	<u>756,354</u>	<u>974,331</u>	<u>1,730,685</u>
Cash and cash equivalents at end of year	<u>\$ 866,008</u>	<u>775,251</u>	<u>1,641,259</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 77,214	99,968	177,182
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	72,048	2,981	75,029
Change in assets and liabilities:			
Decrease in accounts receivable	1,794	1,397	3,191
Decrease in accounts payable	(1,896)	(183)	(2,079)
Total adjustments	<u>71,946</u>	<u>4,195</u>	<u>76,141</u>
Net cash provided by operating activities	<u>\$ 149,160</u>	<u>104,163</u>	<u>253,323</u>

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

RIVER HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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 30, 2021, 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, 2021 was \$753,043.

*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, 2021

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, 2021, 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>\$1,188,203</u>	<u>\$1,188,203</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, 2021

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, 2021

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, 2021, no interfund balances existed.

RIVER HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

Note 5 – Receivables

The City has property and sales taxes, accounts receivable and receivables due from other governments as of June 30, 2021 as follows:

<u>Governmental Funds:</u>	
Taxes:	
Property and other taxes	\$ 113,001
Sales tax	<u>58,891</u>
Total taxes receivable	<u>171,892</u>
Class "C" roads – State of Utah	14,058
A/R Garbage	19,898
A/R 911	3,880
A/R Storm Water	2,469
A/R Court	<u>250</u>
Total other receivables	<u>40,555</u>
Total receivables – Governmental Funds	<u>\$ 212,447</u>
 <u>Water Utility:</u>	
Accounts:	
Services and fees, net of allowance for bad debt	\$ <u>152,392</u>
Total receivables – Water	<u>\$ 152,392</u>
 <u>Wastewater Collection:</u>	
Accounts:	
Services and fees, net of allowance for bad debt	\$ <u>36,872</u>
Total receivables – Wastewater	<u>\$ 36,872</u>

RIVER HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

Note 6 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2021, are as follows:

	July 1, 2020	Additions	Deletions	June 30, 2021
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 196,814	-	-	196,814
Total capital assets not being depreciated	196,814	-	-	196,814
Capital assets being depreciated:				
Buildings	1,088,816	4,986	-	1,093,802
Infrastructure	1,918,566	389,687	-	2,308,253
Machinery and equipment	279,374	-	-	279,374
Total capital assets being depreciated	3,286,756	394,673	-	3,681,429
Accumulated depreciation for:				
Buildings	(473,557)	(30,024)	-	(503,581)
Infrastructure	(207,198)	(53,770)	-	(260,968)
Machinery and equipment	(231,630)	(7,007)	-	(238,637)
Total accumulated depreciation	(912,385)	(90,801)	-	(1,003,186)
Total capital assets being depreciated, net	2,374,371	303,872	-	2,678,243
Total governmental activities Capital assets, net	\$ 2,571,185	303,872	-	2,875,057

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

General government	\$ 17,644
Public safety	241
Streets and public improvements	54,258
Parks and recreation	18,658
Total depreciation expense	\$ 90,801

RIVER HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

Note 6 – Capital Assets (continued)

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
<b><u>Business-type Activities:</u></b>				
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	3,503,050	56,559	-	3,559,609
Machinery and equipment	<u>223,287</u>	<u>-</u>	<u>-</u>	<u>223,287</u>
Total capital assets being depreciated	<u>3,726,337</u>	<u>56,559</u>	<u>-</u>	<u>3,782,896</u>
Accumulated depreciation for:				
Buildings and improvements	(1,715,486)	(74,840)	-	(1,790,326)
Machinery and equipment	<u>(148,040)</u>	<u>(189)</u>	<u>-</u>	<u>(148,229)</u>
Total accumulated depreciation	<u>(1,863,526)</u>	<u>(75,029)</u>	<u>-</u>	<u>(1,938,555)</u>
Total capital assets being depreciated, net	<u>1,862,812</u>	<u>(18,470)</u>	<u>-</u>	<u>1,844,342</u>
Total business-type activities capital assets, net	\$ <u>1,866,262</u>	<u>(18,470)</u>	<u>-</u>	<u>1,847,792</u>

RIVER HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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, 2021 the Wastewater Collection Fund held \$79,171 for impact fees. On June 30, 2021 the Water Fund held \$0 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* – \$675,980 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, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property tax	\$ 113,000	113,000	112,639	(361)
Sales tax	300,000	300,000	349,527	49,527
Franchise and other taxes	91,000	91,000	98,499	7,499
Licenses and permits	75,550	75,550	75,182	(368)
Intergovernmental	375,000	436,815	261,916	(174,899)
Charges for services	189,550	189,550	185,627	(3,923)
Fines and forfeitures	1,700	1,700	1,650	(50)
Miscellaneous revenues	24,050	24,050	6,500	(17,550)
Total revenues	<u>1,169,850</u>	<u>1,231,665</u>	<u>1,091,540</u>	<u>(140,125)</u>
Expenditures:				
General government	359,685	398,500	396,105	2,395
Public safety	104,215	104,215	92,155	12,060
Streets and public improvements	152,800	432,800	429,096	3,704
Sanitation	150,000	173,000	172,516	484
Parks and recreation	73,150	73,150	56,068	17,082
Total expenditures	<u>839,850</u>	<u>1,181,665</u>	<u>1,145,940</u>	<u>35,725</u>
Excess (deficiency) of revenues over expenditures	<u>330,000</u>	<u>50,000</u>	<u>(54,400)</u>	<u>(104,400)</u>
Other financing sources (uses):				
Transfers in:	-	-	300,000	(300,000)
Transfers out:	<u>(330,000)</u>	<u>(50,000)</u>	<u>(330,000)</u>	<u>280,000</u>
Total other financing uses	<u>(330,000)</u>	<u>(50,000)</u>	<u>(30,000)</u>	<u>280,000</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing sources	<u>\$ -</u>	<u>-</u>	<u>(84,400)</u>	<u>175,600</u>
Fund balance - beginning of year			<u>181,587</u>	
Fund balance - end of year	\$		<u>97,187</u>	

See Independent Auditor's Report.

GOVERNMENTAL AUDIT REPORT

MATTHEW REGEN, CPA, PC

Certified Public Accountant/Business Consultant

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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, 2021, 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 30, 2021.

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.

# MATTHEW REGEN, CPA, PC

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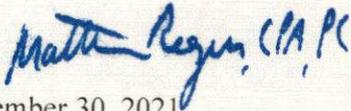
## Compliance and Other Matters

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 30, 2021

STATE COMPLIANCE REPORT

**MATTHEW REGEN, CPA, PC**

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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, 2021.

General state compliance requirements were tested for the year ended June 30, 2021 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, 2021:

- 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

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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, 2021.

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

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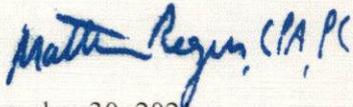
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identify any deficiencies in internal control over compliance that I consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that were not identified.

## 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 30, 2021