

River Heights City

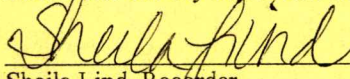
COUNCIL MEETING AGENDA

Tuesday, December 13, 2016

Notice is hereby given that the River Heights City Council will hold its regular council meeting beginning at 5:30 p.m. in the River Heights City Office Building at 520 S 500 E.

- 5:30 p.m. Opening Remarks (Scott) and Pledge of Allegiance (Clausen)
- 5:35 p.m. Adoption of Previous Minutes and Agenda
Pay Bills
Finance Director Report
Purchase Requisitions
Public Works Report
Administrative Report
Public Comment
- 5:45 p.m. Audit Report
- 6:00 p.m. Discuss Sales Tax from Conservice
- 6:05 p.m. Discuss Holding a Second Council Meeting in December
- 6:10 p.m. Adjourn

Posted this 8th day of December 2016



Sheila Lind, Recorder

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

1
2
3 Council Meeting

4
5 December 13, 2016
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8 Present were: Mayor James Brackner
9 Council members: Doug Clausen
10 Robert "K" Scott
11 Geoff Smith
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: Gayle Brackner, Cindy Schaub, Darlene Craney, Matthew
21 Regan
22

23 The following motions were made during the meeting:
24

25 Motion #1

26 Councilmember Clausen moved to "adopt the minutes of the regular November 22, 2016
27 Council Meeting and the evening's agenda." Councilmember Wilson seconded the motion, which
28 passed with Clausen, Scott, Smith, Wilson and Wright in favor. No one opposed.
29

30 Motion #2

31 Councilmember Wright moved to "pay the bills as listed, with the addition of a bill to Staker
32 Parson's in the amount of \$509.00 and to Rocky Mountain Power in the amount of \$22.79."
33 Councilmember Clausen seconded the motion, which passed with Clausen, Scott, Smith, Wilson and
34 Wright in favor. No one opposed.
35

36
37 Proceedings of the Meeting:
38

39 The River Heights City Council met at 6:30 p.m. in the Ervin R. Crosbie Council Chambers in
40 the River Heights City Building on Tuesday, December 13, 2016. Councilmember Scott opened the
41 meeting with a thought about making Christmas special. Councilmember Clausen led the group in the
42 Pledge of Allegiance.

43 Adoption of Previous Minutes and Agenda: Minutes of the November 22, 2016 Council
44 Meeting, were reviewed.

45 **Councilmember Clausen moved to “adopt the minutes of the regular November 22, 2016**
46 **Council Meeting and the evening’s agenda.” Councilmember Wilson seconded the motion,**
47 **which passed with Clausen, Scott, Smith, Wilson and Wright in favor. No one opposed.**

48 Pay Bills: The bills were presented and discussed. PWD Nelson explained that during the
49 recent 600 East road project, Staker Parsons installed a curb along the Hansen’s driveway (as per the
50 engineering plans). The city has asked them to remove it since it was an oversight on the plans and it
51 doesn’t work well for the Hansens. Parsons has turned in a bid for the work at \$508. Treasurer Wilker
52 asked if the Council would approve payment, once she receives the actual bill.

53 Treasurer Wilker asked about a Rocky Mountain Power bill for 100 East 800 South. Last
54 month the bill was \$1.99 and this month it is \$22.79. The bill says it’s for ‘area parking lights -
55 Conservice.’ PWD Nelson thought there was one meter which runs the street lights, as well as the
56 parking lot lights. Although, the parking lot runs off their solar panels. He will check into how it’s
57 billed and get back to Ms. Wilker.

58 Councilmember Wilson asked about the Forsgren engineering bill. Treasurer Wilker reviewed
59 the breakdown. Ms. Wilson was concerned about the cost for the upcoming 600 East project in
60 regards to engineering. She would like to know beforehand how much the cost was going to be. She
61 asked if the city has a contract with them. Councilmember Wright remembered the city had asked
62 them to give an estimate before billing design fees. PWD Nelson said the city has a contract with them
63 to pay an hourly fee. He believes if they are asked to work up an estimate, they would bill for their
64 time to do so. Ms. Wilson doesn’t like the amount of a project being open. Mr. Wright felt it was a
65 good idea for them to give an estimate when they are working on a project, but doesn’t think it’s worth
66 it for day to day things. Mr. Nelson agreed. Councilmember Clausen reminded that the engineers do a
67 lot of record keeping and corresponding for the city. The Council agreed.

68 **Councilmember Wright moved to “pay the bills as listed, with the addition of a bill to**
69 **Staker Parson’s in the amount of \$509.00 and to Rocky Mountain Power in the amount of**
70 **\$22.79.” Councilmember Clausen seconded the motion, which passed with Clausen, Scott,**
71 **Smith, Wilson and Wright in favor. No one opposed.**

72 Finance Director Report: FD Grover explained the financials.

73 Purchase Requisition: PWD Nelson informed he ordered some signs a while ago and some
74 recently. Intermountain Traffic Safety has included all the signs in one bill, which comes to \$1,591.70.
75 He asked for approval to pay this, which will be billed to roads/signs. The Council gave their consent.

76 Public Works Report and Discussion: PWD Nelson didn’t report anything.

77 Administrative Report: Recorder Lind asked if anyone had plans to contribute to the January
78 newsletter. Those that did, will submit by tomorrow.

79 Public Comment: There was none.

80 Audit Report: Mayor Brackner turned the time over to Matthew Regan who gave a review of
81 the 2015 audit he performed. He drew attention to some of the detail on the report.

82 Councilmember Clausen asked about the possibility of setting up an enterprise fund for garbage
83 collection. Mr. Regan said this would be an option.

84 Councilmember Clausen asked about the storm water fee collected from each utility user.
85 Mayor Brackner said this gets spent on new construction when ditches need to be replaced and other
86 things relating to storm water.

87 Mr. Regan noted that he didn’t identify any problems or weaknesses in the city’s checks and
88 balances. He reviewed his opinions on all the state requires and felt the city was being run very well.
89 There was no list of findings.

90 Discuss Sales Tax from Conservice: Councilmember Clausen wanted to make sure the city
91 will collect sales tax from the Conservice cafeteria. Mayor Brackner explained the city is requiring
92 Conservice Grill to file a sales tax quarterly report with the city. FD Grover said this will allow the
93 city to verify they are reporting properly. Mayor Brackner pointed out that the amount of sales going
94 through the cafeteria is not very large since they have other vendors providing food to their employees.

95 Discuss Holding a Second Council Meeting in December: Councilmember Wright explained
96 that the Planning Commission is holding a public hearing tomorrow night to discuss the Sinclair design
97 review. After the Commission and city engineer review and approve it, they will pass it to the Council
98 for final approval. He asked if the Council would consider meeting for a few minutes next week, in
99 case the Commission passed it at their meeting. They are making significant progress on the station
100 and he doesn't want to slow them down. It was determined that there should be a quorum to meet on
101 Tuesday, December 20 at 5:30 p.m.

102 Mayor Brackner stated there are a few residents of the area who are concerned about the gas
103 tanks in the ground. Councilmember Wright said the Commission brought this up a while ago. Tony
104 Johnson's response was that Bill Carson said it had all been taken care of. Mr. Wright talked to Mr.
105 Johnson today, who said he will check with Bear River Health to find out what had been done. Mr.
106 Wright feels the city still should do some homework on it, as well. Mr. Johnson plans to come to the
107 hearing tomorrow night with some information.

108 Mayor Brackner reported on a list of citizens who he had asked about serving on the Planning
109 Commission. He had checked with Rob Astle, Anna Lisa Davidson, Polly Conrad and Kate Pitcher,
110 all of whom were not able to serve at this time. Lance Pitcher, however, felt he could do it. Mayor
111 Brackner recommended him and asked for approval. The Council agreed. Mayor Brackner and
112 Councilmember Wright will talk with Mr. Pitcher about what would be involved in the position.

113 The meeting adjourned at 6:20 p.m.
114
115
116

117 _____
Sheila Lind, Recorder

118 _____
119 James Brackner, Mayor

River Heights City Bills To Be Paid

December 13, 2016

	Payee	Description	Admin.	P&Z	Parks/Rec	Pub. Safety	Com. Aff.	Roads	Water	Sewer	Total
1	10-39 Online	Website Changes	\$17.50								\$17.50
2	AG-Trac	Winterize Sprinklers			\$299.00						\$299.00
3	AT&T Wireless	Cell Phones	\$93.03						\$92.92	\$93.09	\$279.04
4	Bear River Health Department	Water Coliform Testing							\$40.00		\$40.00
5	Cache Mayor's Association	Annual Dues	\$350.00								\$350.00
6	Cache Valley Publishing	Public Hearing Ad	\$32.36	\$90.27							\$122.63
7	CAL Ranch	Hitch Lock Winter Wear			\$49.99			\$49.99	\$49.99	\$49.99	\$199.96
8	Caselle	Monthly Support	\$91.69						\$91.66	\$91.65	\$275.00
9	Chevron & Texaco	Fuel			\$48.35			\$48.35	\$48.35	\$48.35	\$193.40
10	Chyanne Lind	Office Cleaning	\$112.50								\$112.50
11	Daines & Jenkins, LLP	Legal Fees	\$920.00								\$920.00
12	Ferguson Enterprises, Inc.	Upper Well House Heater							\$151.29		\$151.29
13	Forsgren & Associates	Saddlerock, General, 600 S., Conservice	\$125.00	\$1,218.75				\$4,912.50			\$6,256.25
14	Four Seasons Heating & A/C	Office Furnace Winter Prep.	\$75.00								\$75.00
15	Freedom Mailing	Bill Processing	\$134.76						\$44.92	\$44.92	\$224.60
16	LeGrand Johnson	Pot Hole Repair						\$547.56			\$547.56
17	Lowe's	Pipe Cutters							\$122.87		\$122.87
18	Macey's	Tree Lighting Treats					\$134.82				\$134.82
19	Napa	Sewer Battery for Locator								\$6.58	\$6.58
20	Rocky Mountain Power	Electricity	\$122.58		\$75.50		\$22.68	\$1,215.14	\$2,083.37	\$39.92	\$3,559.19
21	Sam's Club	Office Supplies, Tree Lighting, Annual Su	\$52.95				\$37.94				\$90.89
22	Secure Instant Payments, LLC	Monthly Service Fee	\$14.82						\$14.82	\$14.81	\$44.45
23	Staker Parsons	600 East Retention						\$12,171.95			\$12,171.95
24	Thomas Petroleum	Propane Tanks			\$4.94			\$4.94	\$4.94	\$4.94	\$19.76
25	Thurcon, Inc.	400 South & 700 South Patch Asphalt						\$2,010.00			\$2,010.00
26											
27											
28	Staker Parsons							508.00			
29											
30	RMP							22.00			
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Page 1 SubTotals			\$2,142.19	\$1,309.02	\$477.78		\$195.44	\$20,960.43	\$2,745.13	\$394.25	\$28,224.24

River Heights City
 Financial Summary
 December 13, 2016

	<u>Cash Balance By Fund</u>		Net Change	% of Total
	11/30/16	12/13/16		
General Fund	236,185.34	235,809.76	(375.58)	18.74%
Capital Projects Fund	53,052.10	53,052.10	-	4.22%
Water Fund	154,141.40	155,598.07	1,456.67	12.36%
Sewer Fund	813,326.29	814,105.49	779.20	64.69%
Total Cash Balance	<u>1,256,705.13</u>	<u>1,258,565.42</u>	<u>1,860.29</u>	100.00%

Budget Summary - June 30, 2017

		YTD Actual	Annual Budget	Unexpended Budget	% Of Budget Incurred	% Of Time Incurred
General Fund						
Revenue		285,143.85	633,970.00	348,826.15	44.98%	45.48%
Expenditures						
	Administrative	36,032.54	154,214.00	118,181.46	23.37%	45.48%
	Office	5,177.19	14,525.00	9,347.81	35.64%	45.48%
	Community Affairs	11,301.05	18,300.00	6,998.95	61.75%	45.48%
	Planning & Zoning	1,656.29	11,100.00	9,443.71	14.92%	45.48%
	Public Safety	28,252.24	99,480.00	71,227.76	28.40%	45.48%
	Roads	33,729.25	104,843.00	71,113.75	32.17%	45.48%
	Parks & Recreation	23,899.60	71,446.00	47,546.40	33.45%	45.48%
	Sanitation	43,954.01	124,000.00	80,045.99	35.45%	45.48%
	Transfer To CP Fund	-	-	-		
Total Expenditures		<u>184,002.17</u>	<u>597,908.00</u>	<u>413,905.83</u>	30.77%	45.48%
Net Revenue Over Expenditures		<u>101,141.68</u>	<u>36,062.00</u>	<u>(65,079.68)</u>		
Capital Projects Fund						
Revenue		27.76	100.00	72.24		45.48%
Expenditures						
	Administrative		28,000.00	28,000.00		45.48%
	Roads	80,967.09	423,000.00	342,032.91		45.48%
	Electricity	<u>(10,769.34)</u>	-	<u>10,769.34</u>		45.48%
Total Expenditures		<u>70,197.75</u>	<u>451,000.00</u>	<u>380,802.25</u>		45.48%
Net Revenue Over Expenditures		<u>(70,169.99)</u>	<u>(450,900.00)</u>	<u>(380,730.01)</u>		
Water Fund						
Revenue		205,261.56	333,600.00	128,338.44	61.53%	45.48%
Expenditures		<u>149,472.14</u>	<u>219,213.00</u>	<u>69,740.86</u>	68.19%	45.48%
Net Revenue Over Expenditures		<u>55,789.42</u>	<u>114,387.00</u>	<u>58,597.58</u>		
Sewer Fund						
Revenue		87,016.72	176,312.00	89,295.28	49.35%	45.48%
Expenditures		<u>69,018.01</u>	<u>169,143.00</u>	<u>100,124.99</u>	40.80%	45.48%
Net Revenue Over Expenditures		<u>17,998.71</u>	<u>7,169.00</u>	<u>(10,829.71)</u>		

RIVER HEIGHTS CITY

Financial Statements

For the Year Ended June 30, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2016, 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, 2016 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, 2016

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, 2016. 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 2016 by \$430,494 to a total of \$4,898,255. The governmental net position increased by \$178,619 and the business-type net position increased by \$251,875.
- The total net position (government and business-type activities) of the City consist of \$3,638,323 in capital assets, net of related debt, \$310,202 in restricted net position, and \$959,730 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 \$4,898,255.

By far, the largest portion of the City's net position (74 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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 509,970	679,299	793,545	945,457	987,623	748,148
Capital assets	1,609,233	1,251,799	946,690	2,019,090	2,048,798	2,112,177
Total assets	2,119,203	1,931,098	1,740,235	2,964,547	3,036,421	2,860,325
Current liab. and deferred inflows	149,729	140,243	111,043	35,766	107,515	91,119
Noncurrent liabilities	-	-	-	-	252,000	252,000
Total liabilities and deferred inflows	149,729	140,243	111,043	35,766	359,515	343,119
Invested in capital assets, net of debt	1,609,233	1,251,799	946,690	2,019,090	1,753,798	1,838,286
Restricted	183,068	389,024	643,940	127,134	55,951	28,997
Unrestricted	177,173	150,032	38,562	782,557	867,157	649,923
Total net position	\$ <u>1,969,474</u>	<u>1,790,855</u>	<u>1,629,192</u>	<u>2,928,781</u>	<u>2,676,906</u>	<u>2,517,206</u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 255,764	245,864	203,306	628,357	532,648	572,320
Operating grants	68,853	63,623	59,558	-	-	-
Capital grants	-	-	-	-	-	-
General revenues:						
Property taxes	101,861	97,586	103,342	-	-	-
Sales and use taxes	320,295	269,760	259,271	-	-	-
Other revenues	635	803	1,163	8,941	16,797	15,513
Total revenues	<u>747,408</u>	<u>677,636</u>	<u>626,640</u>	<u>637,298</u>	<u>549,445</u>	<u>587,833</u>
Expenses:						
General government	189,944	121,311	116,219	-	-	-
Public safety	100,280	97,418	87,098	-	-	-
Streets and public improvements	203,307	206,753	214,087	-	-	-
Parks and recreation	75,258	90,491	93,137	-	-	-
Water utility	-	-	-	211,774	251,146	215,705
Wastewater Collection	-	-	-	173,649	138,599	139,745
Total expenses	<u>568,789</u>	<u>515,973</u>	<u>510,541</u>	<u>385,423</u>	<u>389,745</u>	<u>355,450</u>
Transfers	-	-	-	-	-	-
Change in net position	<u>178,619</u>	<u>161,663</u>	<u>116,099</u>	<u>251,875</u>	<u>159,700</u>	<u>232,383</u>
Net position – beginning (07-01)	1,790,855	1,629,192	1,513,093	2,676,906	2,517,206	2,284,823
Net position – ending (06-30)	<u>\$ 1,969,474</u>	<u>1,790,855</u>	<u>1,629,192</u>	<u>2,928,781</u>	<u>2,676,986</u>	<u>2,517,206</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 \$360,241, a decrease of \$178,815 in comparison with the prior year. Of this total amount \$177,173 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 57 percent of total general fund revenues. The two largest elements of taxes are sales taxes and property taxes. Combined, they represent 84 percent of total tax revenues and 47 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 \$631,681. The actual revenue was \$747,293. This resulted in a favorable variance of \$115,612 for revenue. The General Fund budget for expenditures was \$556,285. The actual expenditures were \$509,939. This resulted in a favorable variance of \$46,346 for expenditures. Overall, the City had a favorable variance for the excess of revenues over expenditures of \$161,958.

CAPITAL ASSETS

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$3,628,323 (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 \$472,002, and depreciation expense was \$144,275.

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

- \$400,935 for road improvements.
- New lighting for the parks, computer software and building improvements.

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, 2016

<u>Assets</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Pooled cash and cash equivalents	\$ 339,312	889,900	1,229,212
Receivables, net	170,658	55,557	226,215
Fixed assets, net	<u>1,609,233</u>	<u>2,019,090</u>	<u>3,628,323</u>
Total assets	<u>2,119,203</u>	<u>2,964,547</u>	<u>5,083,750</u>
<u>Liabilities & Deferred Inflows of Resources</u>			
Liabilities:			
Accounts payable and accrued expenses	56,885	35,766	92,651
Note payable:			
Due within one year	-	-	-
Due within more than one year	-	-	-
Deferred inflows of resources	<u>92,844</u>	<u>-</u>	<u>92,844</u>
Total liabilities & deferred inflows	<u>149,729</u>	<u>35,766</u>	<u>185,495</u>
<u>Net Position</u>			
Investments in capital assets, net of related debt	1,609,233	2,019,090	3,628,323
Restricted:			
Capital outlay	173,222	-	173,222
Impact fees	9,846	127,134	136,980
Unrestricted	<u>177,173</u>	<u>782,557</u>	<u>959,730</u>
Total net position	<u>\$ 1,969,474</u>	<u>2,928,781</u>	<u>4,898,255</u>

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

CITY OF RIVER HEIGHTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 189,944	43,047	-	-	(146,897)	-	(146,897)
Sanitation	126,751	156,166	-	-	29,415	-	29,415
Public safety	100,280	22,225	-	-	(78,055)	-	(78,055)
Streets and public improvements	76,556	7,700	65,573	-	(3,283)	-	(3,283)
Parks and recreation	75,258	26,626	3,280	-	(45,352)	-	(45,352)
Total governmental activities	<u>568,789</u>	<u>255,764</u>	<u>68,853</u>	<u>-</u>	<u>(244,172)</u>	<u>-</u>	<u>(244,172)</u>
Business-type activities:							
Water Utility	211,774	409,175	-	-	-	197,401	197,401
Wastewater Collection	173,649	219,182	-	-	-	45,533	45,533
Total business-type activities	<u>385,423</u>	<u>628,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,934</u>	<u>242,934</u>
Total primary government	<u>\$ 954,212</u>	<u>884,121</u>	<u>68,853</u>	<u>-</u>	<u>(244,172)</u>	<u>242,934</u>	<u>(1,238)</u>
General revenues:							
Taxes:							
Property tax				101,861	-	101,861	
Sales and use tax				251,221	-	251,221	
Franchise and other taxes				69,074	-	69,074	
Total taxes				<u>422,156</u>	<u>-</u>	<u>422,156</u>	
Interest income				635	8,941	9,576	
Total general revenues				<u>422,791</u>	<u>8,941</u>	<u>431,732</u>	
Change in net position				178,619	251,875	430,494	
Net position - beginning				1,790,855	2,676,906	4,467,761	
Net position - ending				<u>\$ 1,969,474</u>	<u>2,928,781</u>	<u>4,898,255</u>	

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

CITY OF RIVER HEIGHTS
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2016

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Pooled cash and cash equivalents	\$ 166,090	173,222	339,312
Receivables, net	<u>170,658</u>	<u>-</u>	<u>170,658</u>
Total assets	<u>336,748</u>	<u>173,222</u>	<u>509,970</u>
<u>Liabilities, Deferred Inflows of Resources & Fund Balance</u>			
Liabilities:			
Accounts payable and accrued liabilities	56,885	-	56,885
Deferred inflows of resources	<u>92,844</u>	<u>-</u>	<u>92,844</u>
Total liabilities & deferred inflows	<u>149,729</u>	<u>-</u>	<u>149,729</u>
Fund balance:			
Restricted for:			
Roads	-	-	-
Impact fees	9,846	-	9,846
Assigned for:			
Capital projects	-	173,222	173,222
Unassigned	<u>177,173</u>	<u>-</u>	<u>177,173</u>
Total fund balance	<u>187,019</u>	<u>173,222</u>	<u>360,241</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 336,748</u>	<u>173,222</u>	<u>509,970</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, 2016

Total fund balance for governmental funds \$ 360,241

Net position is different because:

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

Land	\$	178,719	
Buildings		883,718	
Equipment		218,639	
Infrastructure		951,381	
Accumulated depreciation		<u>(623,224)</u>	<u>1,609,233</u>

Net position of governmental activities \$ 1,969,474

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, 2016

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 422,156	-	422,156
Licenses	35,548	-	35,548
Intergovernmental	68,853	-	68,853
Charges for services	207,511	-	207,511
Fines and forfeitures	3,522	-	3,522
Miscellaneous revenues	9,703	115	9,818
	<u>747,293</u>	<u>115</u>	<u>747,408</u>
Total revenues			
Expenditures:			
General government	179,738	9,462	189,200
Sanitation	126,751	-	126,751
Public safety	97,884	-	97,884
Streets and public improvements	53,160	399,206	452,366
Parks and recreation	52,406	7,616	60,022
	<u>509,939</u>	<u>416,284</u>	<u>926,223</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>237,354</u>	<u>(416,169)</u>	<u>(178,815)</u>
Other financing sources:			
Transfers in (out)	<u>(250,000)</u>	<u>250,000</u>	<u>-</u>
Total other financing uses	<u>(250,000)</u>	<u>250,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing uses over expenditures and other financing uses	(12,646)	(166,169)	(178,815)
Fund balance - beginning of year	<u>199,665</u>	<u>339,391</u>	<u>539,056</u>
Fund balance - end of year	<u>\$ 187,019</u>	<u>173,222</u>	<u>360,241</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, 2016

Net change in fund balance - Total governmental funds \$ (178,815)

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 \$416,284 exceeded
 depreciation expense of \$58,850 in the current year.

357,434

Change in net position of governmental activities

\$ 178,619

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

CITY OF RIVER HEIGHTS
STATEMENT OF NET POSITION -
PROPRIETARY FUND
JUNE 30, 2016

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Collection</u>	<u>Total Business- Type Activities</u>
Pooled cash and cash equivalents	\$ 94,438	795,462	889,900
Receivables, net	39,007	16,550	55,557
Fixed assets, net	<u>1,844,533</u>	<u>174,557</u>	<u>2,019,090</u>
Total assets	<u>1,977,978</u>	<u>986,569</u>	<u>2,964,547</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	21,191	14,575	35,766
Non-current liabilities:			
Due within one year	-	-	-
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>21,191</u>	<u>14,575</u>	<u>35,766</u>
<u>Net Position</u>			
Investments in capital assets, net of related debt	1,844,533	174,557	2,019,090
Restricted:			
Impact fees	57,373	69,761	127,134
Unrestricted	<u>54,881</u>	<u>727,676</u>	<u>782,557</u>
Total net position	<u>\$ 1,956,787</u>	<u>971,994</u>	<u>2,928,781</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, 2016

	Water Utility	Wastewater Collection	Total Business- Type Activities
Operating revenues:			
Services	\$ 319,728	144,782	464,510
Connection fees	33,000	-	33,000
Other operating revenues	100	26,400	26,500
Total operating revenues	352,828	171,182	524,010
Operating expenses:			
Wages and benefits	64,480	37,205	101,685
Current expenses	70,303	120,211	190,514
Depreciation	69,192	16,233	85,425
Total operating expense	203,975	173,649	377,624
Operating income	148,853	(2,467)	146,386
Non-operating income (expense):			
Interest income	242	8,699	8,941
Impact fee income	56,347	48,000	104,347
Interest expense	(7,799)	-	(7,799)
Total non-operating income (expense)	48,790	56,699	105,489
Change in net position	197,643	54,232	251,875
Net position - beginning of year	1,759,144	917,762	2,676,906
Net position - end of year	\$ 1,956,787	971,994	2,928,781

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, 2016

	Water Utility	Wastewater Collection	Total Business- Type Activities
<u>Cash flows from operating activities:</u>			
Receipts from customers and users	\$ 366,502	203,155	569,657
Payments to employees	(64,480)	(37,205)	(101,685)
Payments to suppliers	(99,097)	(120,166)	(219,263)
Net cash provided by operating activities	<u>202,925</u>	<u>45,784</u>	<u>248,709</u>
<u>Cash flows from non-capital financing activities</u>			
	-	-	-
<u>Cash flows from capital and related financing activities:</u>			
Purchase of capital assets	(47,821)	(35,244)	(83,065)
Impact fee income	56,347	48,000	104,347
Principal payments on note payable	(295,000)	295,000	-
Interest payments on note payable	(7,799)	-	(7,799)
Net cash used in capital and related financing activities	<u>(294,273)</u>	<u>307,756</u>	<u>13,483</u>
<u>Cash flows from investing activities:</u>			
Interest on investments	242	8,699	8,941
Net cash provided by investing activities	<u>242</u>	<u>8,699</u>	<u>8,941</u>
Net increase in cash and cash equivalents	(91,106)	362,239	271,133
Cash and cash equivalents at beginning of year	185,544	433,223	618,767
Cash and cash equivalents at end of year	<u>\$ 94,438</u>	<u>795,462</u>	<u>889,900</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 148,853	(2,467)	146,386
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	69,192	16,233	85,425
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	13,674	31,973	45,647
Increase in accounts payable	(28,794)	45	(28,749)
Total adjustments	<u>54,072</u>	<u>48,251</u>	<u>102,323</u>
Net cash provided by operating activities	<u>\$ 202,925</u>	<u>45,784</u>	<u>248,709</u>

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

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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, 2016

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, 2016

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.”

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:

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

- 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.

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.

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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, 2016, the date the financial statements were available to be issued.

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 was \$197,872.

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.

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.

RIVER HEIGHTS CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

Note 2 – Deposits and Investments (continued)

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, 2016, 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>\$48,286</u>	<u>\$48,293</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.

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, 2016

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, 2016, the following interfund balances existed:

<u>Fund</u>	<u>Receivables</u>	<u>(Payables)</u>
Water Utility	\$ -	-
Wastewater	-	-
Totals	\$ <u>-</u>	<u>-</u>

The interfund balances represent financing transactions. It is management’s opinion that the interfund balances will not be repaid during the next fiscal year.

RIVER HEIGHTS CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

Note 5 – Receivables

The City has property and sales taxes, accounts receivable and receivables due from other governments as of June 30, 2016 as follows:

<u>Governmental Funds:</u>	
Taxes:	
Property and other taxes	\$ 92,844
Sales tax	<u>40,656</u>
Total taxes receivable	<u>133,500</u>
Due from other governments:	
Class "C" roads – State of Utah	16,413
A/R Garbage	15,504
A/R 911	2,692
A/R Storm Water	2,299
A/R Court	<u>250</u>
Total due from other governments	<u>37,158</u>
Total receivables – Governmental Funds	<u>\$ 170,658</u>
<u>Water Utility:</u>	
Accounts:	
Services and fees, net of allowance for bad debt	\$ <u>39,007</u>
Total receivables – Water	<u>\$ 39,007</u>
<u>Wastewater Collection:</u>	
Accounts:	
Services and fees, net of allowance for bad debt	\$ 16,550
Interest receivable	-
Interfund receivable	<u>-</u>
Total receivables – Wastewater	<u>\$ 16,550</u>

RIVER HEIGHTS CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

Note 6 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2016, are as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 178,719	-	-	178,719
Total capital assets not being depreciated	<u>178,719</u>	<u>-</u>	<u>-</u>	<u>178,719</u>
Capital assets being depreciated:				
Buildings	874,256	9,462	-	883,718
Infrastructure	550,446	400,935	-	951,380
Machinery and equipment	212,752	5,888	-	218,639
Total capital assets being depreciated	<u>1,637,454</u>	<u>416,285</u>	<u>-</u>	<u>2,053,738</u>
Accumulated depreciation for:				
Buildings	(329,873)	(23,317)	-	(375,949)
Infrastructure	(30,918)	(19,335)	-	(60,158)
Machinery and equipment	(153,300)	(16,198)	-	(187,116)
Total accumulated depreciation	<u>(564,374)</u>	<u>(58,850)</u>	<u>-</u>	<u>(623,224)</u>
Total capital assets being depreciated, net	<u>1,073,080</u>	<u>357,435</u>	<u>-</u>	<u>1,430,505</u>
Total governmental activities Capital assets, net	<u>\$ 1,251,799</u>	<u>357,435</u>	<u>-</u>	<u>1,609,233</u>

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

General government	\$ 10,206
Public safety	2,396
Streets and public improvements	23,396
Parks and recreation	22,852
Total depreciation expense	<u>\$ 58,850</u>

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6 – Capital Assets (continued)

	July 1, 2015	Additions	Deletions	June 30, 2016
<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	3,355,019	14,767	-	3,369,786
Machinery and equipment	88,996	40,951	-	117,728
Total capital assets being depreciated	3,444,015	55,718	-	3,487,514
Accumulated depreciation for:				
Buildings and improvements	(1,357,885)	(69,291)	-	(1,424,176)
Machinery and equipment	(25,114)	(16,134)	-	(41,248)
Total accumulated depreciation	(1,382,999)	(85,425)	-	(1,465,424)
Total capital assets being depreciated, net	2,061,016	(29,707)	-	2,031,309
Total business-type activities capital assets, net	\$ 2,061,016	(29,707)	-	2,019,090

RIVER HEIGHTS CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

Note 7 – Long-term Debt

Long-term liability transactions for the fiscal year ended June 30, 2016, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities:</u>					
Due to Sewer Fund	\$ 295,000	-	(295,000)	-	-
Total business-type long-term liabilities	\$ 295,000	-	(295,000)	-	-

Business-type Activities

Long-term debt for business-type activities consists of the following:

Note payable

\$480,000 note payable to the Wastewater Collection Fund issued November 12, 2009. Due in annual installments ranging from \$33,000 to \$54,400 until September 1, 2021, plus interest at 5%.

	-
Total	-

RIVER HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 8 – 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, 2016 the Water Utility and Wastewater Collection Fund held \$57,373 and \$69,761, respectively, for impact fees.

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

Restricted fund balance – \$9,846 for parks and other improvements.

Assigned fund balance – \$173,222 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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property tax	\$ 94,700	92,200	101,861	9,661
Sales tax	190,000	180,000	251,221	71,221
Franchise and other taxes	70,000	65,000	69,074	4,074
Licenses and permits	14,700	30,350	35,548	5,198
Intergovernmental	64,800	64,800	68,853	4,053
Charges for services	180,400	186,500	207,511	21,011
Fines and forfeitures	2,500	3,200	3,522	322
Miscellaneous revenues	13,025	9,631	9,703	72
Total revenues	630,125	631,681	747,293	115,612
Expenditures:				
General government	193,395	188,035	179,738	8,297
Public safety	97,700	96,700	97,884	(1,184)
Streets and public improvements	122,500	89,900	53,160	36,740
Sanitation	120,000	120,000	126,751	(6,751)
Parks and recreation	67,250	61,650	52,406	9,244
Total expenditures	600,845	556,285	509,939	46,346
Excess (deficiency) of revenues over expenditures	29,280	75,396	237,354	161,958
Other financing sources (uses):				
Increase in fund balance	(29,280)	(75,396)	-	-
Transfers out:	-	-	(250,000)	250,000
Total other financing uses	(29,280)	(75,396)	(250,000)	250,000
Excess (deficiency) of revenue and other financing sources over expenditures and other financing sources	\$ -	-	(12,646)	411,958
Fund balance - beginning of year			199,665	
Fund balance - end of year	\$		187,019	

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, 2016, 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, 2016.

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, 2016

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, 2016.

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

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, 2016.

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, 2016