

**RIVERTON LAW ENFORCEMENT
SERVICE AREA**

FINANCIAL STATEMENTS

DECEMBER 31, 2019

RIVERTON LAW ENFORCEMENT SERVICE AREA
TABLE OF CONTENTS
DECEMBER 31, 2019

	Page	
Independent Auditor’s Report	1-2	
Management’s Discussion and Analysis	3-6	
 <u>Basic Financial Statements</u>		
Government-Wide Financial Statements		
Statement of Net Position	7	
Statement of Activities	8	
Fund Financial Statements		
Governmental Funds		
Balance Sheet	9	
Statement of Revenues, Expenditures, and Changes in Fund Balance	10	
Statement of Changes Reconciliation to Statement of Activities	11	
Notes to the Financial Statements.....	12-19	
 <u>Required Supplementary Information</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual General Fund.....	20	
 <u>Other Auditor’s Reports</u>		
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 <i>Government Auditing Standards</i>		21-22
Independent Auditor’s Report on Compliance and Report on Internal Control over Compliance as Required by the <i>State</i> <i>Compliance Audit Guide</i>		23-24



GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

RANDEL A HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Riverton Law Enforcement Service Area
Riverton, Utah

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverton Law Enforcement Service Area (Service Area), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Riverton Law Enforcement Service Area's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Riverton Law Enforcement Service Area as of December 31, 2019, the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2020 on our consideration of the Service Area's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service Area's internal control over financial reporting and compliance.

Gilbert & Stewart

GILBERT & STEWART, CPA, PC

Provo, Utah

April 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Riverton Law Enforcement Service Area (Service Area), we offer readers of the Service Area's financial statements this narrative overview and analysis of the financial activities of the Service Area for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- As of the end of the current fiscal year, the Service Area's governmental fund reported an ending fund balance of \$893,511 all of which is unassigned.
- The total net position in the Government wide statements is \$893,511, all of which is unrestricted.

REPORTING THE SERVICE AREA AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Riverton Law Enforcement Service Area's basic financial statements. The Service Area'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 includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Service Area's finances, in a manner similar to a private-sector business.

- *The statement of net position* presents information on all of the Service Area'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 Service Area is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the Service Area's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Service Area that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

REPORTING THE SERVICE AREA'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 Service Area also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Service Area only has one governmental fund.

- **Governmental fund** - This fund is used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted

to cash. The governmental fund statements provide a detailed short-term view of the Service Area's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Service Area's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In this case, Service Area's assets exceed liabilities by \$1,553,308.

As this was the first year that the Service Area was in existence the net position of the Service Area changed by \$1,553,308, increasing from \$0 to \$1,553,308. The main reason for the increase is the property tax revenue, and contributions from other entities exceeded the expenditures of the Service Area.

The following analysis focuses on the net position and changes in the Service Area's net position.

Riverton Law Enforcement Service Area's Net position

	Governmental Activities	
	2019	2018
Current and other assets	\$ 2,669,675	\$ 1,553,308
Capital assets	-	-
Total assets	<u>2,669,675</u>	<u>1,553,308</u>
Current and other liabilities	1,776,164	-
Net position:		
Unrestricted	<u>893,511</u>	<u>1,553,308</u>
Total net position	<u>\$ 893,511</u>	<u>\$ 1,553,308</u>

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Riverton Law Enforcement Service Area's Changes in Net position

	Governmental Activities	
	2019	2018
Revenues:		
Program Revenues		
Operating Grants & Contributions	\$ 2,242	\$ 870,527
General Revenues:		
Property taxes	6,309,703	5,983,705
Unrestricted investment earnings	97,402	33,064
Total revenues	<u>6,409,347</u>	<u>6,887,296</u>
Expenses:		
General government	<u>7,069,144</u>	<u>5,333,988</u>
Increase in net position	(659,797)	1,553,308
Net position - beginning	<u>1,553,308</u>	<u>-</u>
Net position - ending	<u>\$ 893,511</u>	<u>\$ 1,553,308</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the Service Area's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Service Area's financing requirements. As of December 31, 2019, the Service Area's governmental fund reported fund equity of \$893,511. This represents a decrease in the Service Area's year of operations. The General Fund is the chief operating fund of the Service Area. All activities that 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. Property taxes continue to be a large source of revenue in the General Fund and represent 100% of tax revenues and 98% of total general fund revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund actual revenue of \$6,409,347 was \$438,271 more than the budgeted amount of \$5,971,076. Actual expenditures of \$11,383,144 were under budget by \$32,606.

CAPITAL ASSET ADMINISTRATION

The Service Area had no investment in capital assets in 2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The budgeted revenues for 2020 will increase due to additional property tax revenue.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Riverton Law Enforcement Service Area's finances for all those with an interest in the Service Area's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Riverton Law Enforcement Service Area, 12830 South Redwood Road, Riverton, Utah 84065.

BASIC FINANCIAL STATEMENTS

RIVERTON LAW ENFORCEMENT SERVICE AREA
Statement of Net Position
December 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,465,795
Property Tax Receivable	203,880
Total Assets	<u>2,669,675</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	-
Total Liabilities	<u>1,776,164</u>
NET POSITION	
Net Investment in Capital Assets	-
Unrestricted	893,511
Total Net Position	<u><u>\$ 893,511</u></u>

See accompanying notes to the financial statements

RIVERTON LAW ENFORCEMENT SERVICE AREA
Statement of Activities
For the Year Ended December 31, 2019

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	Net (Expenses) Revenues & Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>
Primary government:					
Governmental Activities:					
General Government	\$ 6,960,719	\$ -	\$ 2,242	\$ -	\$ (6,958,477)
Interest on Short Term Debt	108,425	-	-	-	(108,425)
Total Governmental Activities	<u>7,069,144</u>	<u>-</u>	<u>2,242</u>	<u>-</u>	<u>(7,066,902)</u>
General Revenues:					
					6,309,703
					97,402
					<u>6,407,105</u>
					(659,797)
					-
					<u>\$ (659,797)</u>

See accompanying notes to the financial statements

RIVERTON LAW ENFORCEMENT SERVICE AREA
Balance Sheet
Governmental Funds
December 31, 2019

	<u>Major Funds</u>
	<u>General Fund</u>
ASSETS:	
Cash and Cash Equivalents	\$ 2,465,795
Receivables (net):	
Property Tax	203,880
Intergovernmental	-
Prepaid Expenses	-
Total Assets	<u>\$ 2,669,675</u>
LIABILITIES:	
Accounts Payable	\$ 415
Due to Other Entities	1,775,749
Total Liabilities	<u>1,776,164</u>
DEFERRED INFLOWS OF RESOURCES	
FUND BALANCES	
Unassigned	893,511
Total Fund Balances	<u>893,511</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,669,675</u>
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	
Total Fund Balance	\$ 893,511
Total net position reported for governmental activities in the statement of net position is different because:	-
Net position of governmental activities	<u>\$ 893,511</u>

See accompanying notes to the financial statements

RIVERTON LAW ENFORCEMENT SERVICE AREA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	<u>Major Funds</u>
	<u>General Fund</u>
REVENUES	
Taxes	\$ 6,309,703
Intergovernmental	-
Interest Earnings	97,402
Miscellaneous	2,242
Total Revenues	<u>6,409,347</u>
EXPENDITURES	
Current:	
General Government	6,944,719
Note Issuance Costs	16,000
Debt Service:	
Principal Retirement	4,314,000
Interest and Fiscal Charges	108,425
Total Expenditures	<u>11,383,144</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>(4,973,797)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from issuance of Tax Revenue	
Anticipation Notes	4,314,000
Total Other Financing Sources (Uses)	<u>4,314,000</u>
Net Change in Fund Balances	(659,797)
Fund Balances - Beginning	1,553,308
Fund Balances - End	<u>\$ 893,511</u>

See accompanying notes to the financial statements

RIVERTON LAW ENFORCEMENT SERVICE AREA
Statement of Changes Reconciliation to
Statement of Activities
For the Year Ended December 31, 2019

Net Change in Fund Balances of Governmental Funds \$ (659,797)

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

The issuance of long term debt provides current financial resources to governmental funds, while payment of the principal of long term debt consumes current financial resources of governmental funds.

 Issuance of short-term tax revenue anticipation notes (4,314,000)

 Principal Payments recorded as a reduction of long term debt 4,314,000

Change in net position of governmental activities \$ (659,797)

RIVERTON LAW ENFORCEMENT SERVICE AREA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Riverton Law Enforcement Service Area (Service Area) are in conformity with accounting principles generally accepted in the United States of America applicable to local governmental units. The following is a summary of the more significant accounting policies applied by the Service Area.

Reporting Entity

Riverton Law Enforcement Service Area was formed on January 1, 2018 to provide funding for law enforcement services to Riverton City. These law enforcement services are provided by the Unified Police Department until July of 2019 at which time a new Riverton Police Department will provide the law enforcement services. Riverton Law Enforcement Service Area is a component unit of Riverton City.

The Board of Trustees of the Service Area are comprised of the Riverton City Mayor and City Council.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statements of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when

RIVERTON LAW ENFORCEMENT SERVICE AREA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY (*Continued*)

susceptible to accrual (i.e. when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred, except for expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

Property taxes are measurable as of the date levied (assessed) and are recognized as revenue when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the Service Area receives cash.

The Service Area reports the following major governmental funds:

The *general fund* is the government’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 Service Area has no proprietary funds.

As a general rule, the effect of inter-fund activity has been eliminated from the government financial statements.

Assets, Liabilities, and Net Position or Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. Service Area policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer’s Investment Fund (Fund), and other investments allowed by the State of Utah’s Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the Service Area’s cash in the Fund is the same as the fair value of the Fund shares.

RIVERTON LAW ENFORCEMENT SERVICE AREA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY (*Continued*)

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Restricted Assets

Cash, which is restricted to a particular use due to statutory, budgetary, or bonding requirements, is classified as “restricted cash” on the Statement of Net Position and on the Balance Sheets. Restricted cash would be spent first, and then unrestricted resources would be used when the restricted funds are depleted.

C. Capital Assets

The Service area has no capital assets

D. Property Taxes

Property taxes are assessed as of January 1st and become a lien upon the property as of that date. Real property taxes are due November 30th, and personal property taxes are due on a staggered basis throughout the year.

E. Deferred Outflows/Inflows of Resources

The Service Area implemented GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously Reported as Assets and Liabilities. These Statements provide financial reporting guidance to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. They also establish accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Service Area has no deferred outflows of resources.

RIVERTON LAW ENFORCEMENT SERVICE AREA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY (*Continued*)

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Service Area has no deferred inflow of resources.

F. Fund Equity

The Service Area implemented GASB Statement 54, *Fund Balance Reporting in Governmental Fund Types Definitions*. The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the Service Area is bound to honor them. The Service Area first determines and reports non-spendable balances, then restricted, then committed, and so forth. Fund balance classifications are summarized as follows:

- **Non-spendable:** This category includes fund balance amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories, prepaid expenditures, and endowments are classified as non-spendable. Non-spendable fund balance represents the following: inventory and long-term receivables.
- **Restricted:** This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either (a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. The Service Area has no restricted fund balances.
- **Committed:** This category includes amounts that can only be used for specific purposes established by formal action of the Service Area Board. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the Service Area Board. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Service Area has no committed fund balances.
- **Assigned:** This category includes Governmental Fund balance amounts that the Service Area intends to be used for a specific purpose but that are neither restricted nor committed. This intent is expressed by written approval of the Service Area's administration comprised of the Service Area Board. This category also includes the

RIVERTON LAW ENFORCEMENT SERVICE AREA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY (*Continued*)

remaining positive fund balance for other governmental funds. The Service Area has no assigned fund balances.

- **Unassigned:** Residual balances in the Governmental Funds are classified as unassigned. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or that are legally restricted by outside parties.

G. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Service Area or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

H. Use of Estimates

Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.

RIVERTON LAW ENFORCEMENT SERVICE AREA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

The Service Area follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to December 1st, the budget officer submits to the Board a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments prior to adoption.
3. Prior to December 15th, the budget is legally enacted through passage of a resolution.
4. The budget officer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. Budgets for the General Fund is presented on a basis consistent with generally accepted accounting principles (GAAP).
7. Budgeted amounts are as originally adopted or as amended by the Board in December 2019.
8. Encumbrances lapse at year end and are subject to re-appropriation. Therefore, no encumbrances are included in the financial statements.

NOTE 3 - CASH AND INVESTMENTS

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (“the Council”). Following are discussions of the local government’s exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits: Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government’s deposits may not be recovered. The local government’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as

RIVERTON LAW ENFORCEMENT SERVICE AREA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - CASH AND INVESTMENTS (*Continued*)

any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rule of the Utah Money Management Council. As of December 31, 2019, all of the local government's bank balances of \$5,110 were insured and collateralized.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2019, the local governments had investments of \$2,460,685 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

D. Fair Value of Investments

The Service Area measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy. The PTIF which is the Service Area's only investment of \$2,460,685 uses level two of the hierarchy and measures the fair value using observable inputs other than quoted market prices.

RIVERTON LAW ENFORCEMENT SERVICE AREA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's general fund include Property Taxes of \$203,880.

NOTE 6 – TAX REVENUE ANTICIPATION NOTES

In 2019, the Service Area issued tax revenue anticipation notes in advance of property tax collections, depositing the proceeds into the general fund. These notes are necessary because the Service Area's payments to provide law enforcement services are due throughout the year, whereas property tax collections are received in November of each year. Short-term debt activity for the year ended December 31, 2019 is as follows:

Governmental Activities:	<u>Jan 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Dec 31, 2019</u>
Short Term Debt				
Tax revenue anticipation notes	<u>\$ -</u>	<u>\$4,314,000</u>	<u>\$4,314,000</u>	<u>\$ -</u>
Gov't activities short-term debt	<u>\$ -</u>	<u>\$4,314,000</u>	<u>\$4,314,000</u>	<u>\$ -</u>

NOTE 7 – SUBSEQUENT EVENTS

In preparing these financial statements, the Service Area has evaluated events and transactions for potential recognition or disclosure through April 24, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

RIVERTON LAW ENFORCEMENT SERVICE AREA
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
General Fund
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Totals</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Taxes	\$ 5,710,326	\$ 5,926,076	\$ 6,309,703	\$ 383,627
Intergovernmental	-	-	-	-
Interest Earnings	45,000	45,000	97,402	52,402
Miscellaneous			2,242	2,242
Total Revenues	<u>5,755,326</u>	<u>5,971,076</u>	<u>6,409,347</u>	<u>438,271</u>
EXPENDITURES				
Current:				
General Government	6,075,000	6,952,750	6,944,719	8,031
Note Issuance Costs	20,000	20,000	16,000	4,000
Debt Service:				
Principal Retirement	4,314,000	4,314,000	4,314,000	-
Interest and Fiscal Charges	129,000	129,000	108,425	20,575
Total Expenditures	<u>10,538,000</u>	<u>11,415,750</u>	<u>11,383,144</u>	<u>32,606</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>(4,782,674)</u>	<u>(5,444,674)</u>	<u>(4,973,797)</u>	<u>470,877</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of Tax Revenue				
Anticipation Notes	4,314,000	4,314,000	4,314,000	-
Total Other Financing Sources (Uses)	<u>4,314,000</u>	<u>4,314,000</u>	<u>4,314,000</u>	<u>-</u>
Net Change in Fund Balance	(468,674)	(1,130,674)	(659,797)	470,877
Fund Balances - Beginning	1,553,308	1,553,308	1,553,308	-
Fund Balances - Ending	<u>\$ 1,084,634</u>	<u>\$ 422,634</u>	<u>\$ 893,511</u>	<u>\$ 470,877</u>

OTHER AUDITOR'S REPORT



GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

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*

Board of Trustees
Riverton Law Enforcement Service Area
Riverton, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Riverton Law Enforcement Service Area (Service Area), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 24 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control which might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Service Area's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert & Stewart

GILBERT & STEWART, CPA PC
Provo, Utah
April 24, 2020



GILBERT & STEWART

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE*

Board of Trustees
Riverton Law Enforcement Service Area
Riverton, Utah

Report On Compliance

We have audited Riverton Law Enforcement Service Area's compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor that could have a direct and material effect on Riverton Law Enforcement Service Area for the year ended December 31, 2019.

State compliance requirements were tested for the year ended December 31, 2019 in the following areas:

- Budgetary Compliance
- Fund Balance
- Open and Public Meetings Act
- Public Treasurer's Bond
- Cash Management

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of Riverton Law Enforcement Service Area's compliance with those requirements.

Opinion on Compliance

In our opinion, Riverton Law Enforcement Service Area complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2019.

Report On Internal Control Over Compliance

Management of Riverton Law Enforcement Service Area is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered Riverton Law Enforcement Service Area's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Riverton Law Enforcement Service Area'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 to detect and correct noncompliance with a state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

Gilbert & Stewart

GILBERT & STEWART, CPA, PC

Provo, Utah

April 24, 2020