

**HILDALE CITY, UTAH**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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## **Independent Auditor's Report**

The Honorable Mayor and City Council  
Hildale City, Utah

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hildale City, Utah (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and 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 listed 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2022, on our consideration of the City's internal control over financial reporting and on our 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 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 City's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
St. George, Utah  
May 26, 2022

**HILDALE CITY, UTAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

As management of Hildale City, Utah (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- Total net position increased by \$484,582 for the fiscal year.
- Total governmental revenues exceeded total governmental expenses by \$186,982.
- Total business-type revenues exceeded total business-type expenses by \$297,600, which includes affiliate revenue and expense of \$809,710 and \$621,343, respectively.
- Total revenues from all sources were \$3,534,104, which includes revenue from affiliates of \$809,710.
- The total cost of all city programs was \$3,049,522, which includes expenses from affiliates of \$621,343.
- The general fund reported revenues over expenditures (including other financing sources and uses) of \$185,990.
- Actual resources received (including other financing sources) in the general fund were less than the final budget by \$2,389,364, while actual expenditures (including other financing uses) were \$2,958,154 less than the final budget.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$210,467 or 14.9% of total general fund expenditures (53.4% when combining unassigned and assigned fund balance).
- The City issued \$1,701,000 of sewer revenue refunding bonds (Series 2021) in connection with refunding parity sewer revenue bonds (Series 2000B and 2000C). The transaction resulted in an economic gain of \$261,145 and a reduction of \$524,553 in future debt service payments.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the statement of net position and the statement of activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements present how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

**Reporting the City as a Whole**

**The Statement of Net Position and the Statement of Activities (Government-wide)**

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net position, essentially the difference between assets (and deferred outflows of resources) and liabilities (and deferred inflows of resources), is one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position is an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's roads to accurately assess the overall health of the City.

The statement of net position and the statement of activities present information about the following:

- Government activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, public works, parks and recreation, highways and streets, and interest on long-term debt. Property taxes, sales tax, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City charges a fee to customers to cover all or most of the cost of the services provided.

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City'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 basic financial statements.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets are greater than liabilities (and deferred inflows of resources) by \$9,568,396 (governmental and business-type activities) as of June 30, 2021 as shown in the following condensed statement of net position. The City accounts for its sewer system operations in an enterprise fund, which is shown as business-type activities.

### Hildale City Statement of Net Position

	Governmental activities		Business-type activities		Totals	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Current and other assets	\$ 1,696,019	\$ 1,627,309	\$ 1,202,630	\$ 954,449	\$ 2,898,649	\$ 2,581,758
Capital assets	4,565,608	4,669,318	3,913,171	4,173,690	8,478,779	8,843,008
Investment in affiliates	-	-	1,688,404	1,500,037	1,688,404	1,500,037
Total assets	6,261,627	6,296,627	6,804,205	6,628,176	13,065,832	12,924,803
Long-term liabilities outstanding	822,652	926,207	1,819,141	1,925,633	2,641,793	2,851,840
Other liabilities	225,379	350,098	46,569	57,669	271,948	407,767
Total liabilities	1,048,031	1,276,305	1,865,710	1,983,302	2,913,741	3,259,607
Deferred inflows of resources	99,113	96,800	-	-	99,113	96,800
Net position:						
Net investment in capital assets	3,742,956	3,743,111	2,102,345	2,252,861	5,845,301	5,995,972
Invested in affiliates	-	-	1,688,404	1,500,037	1,688,404	1,500,037
Restricted	108,238	77,073	384,644	375,190	492,882	452,263
Unrestricted	1,263,289	1,103,338	763,102	516,786	2,026,391	1,620,124
Total net position	\$ 5,114,483	\$ 4,923,522	\$ 4,938,495	\$ 4,644,874	\$ 10,052,978	\$ 9,568,396



## Governmental Activities

The cost of all governmental activities this year was \$1,423,054. As shown on the statement of changes in net position below, \$223,370 of this cost was paid for by those who directly benefited from the programs and \$453,832 was subsidized by grants and contributions received from other governmental organizations and others for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services, but excluding general revenues were \$677,202. General revenues totaled \$932,834.

The City's programs include: general government, public safety, highways and streets/public works, and parks and recreation. Each program's revenues and expenses are presented below.

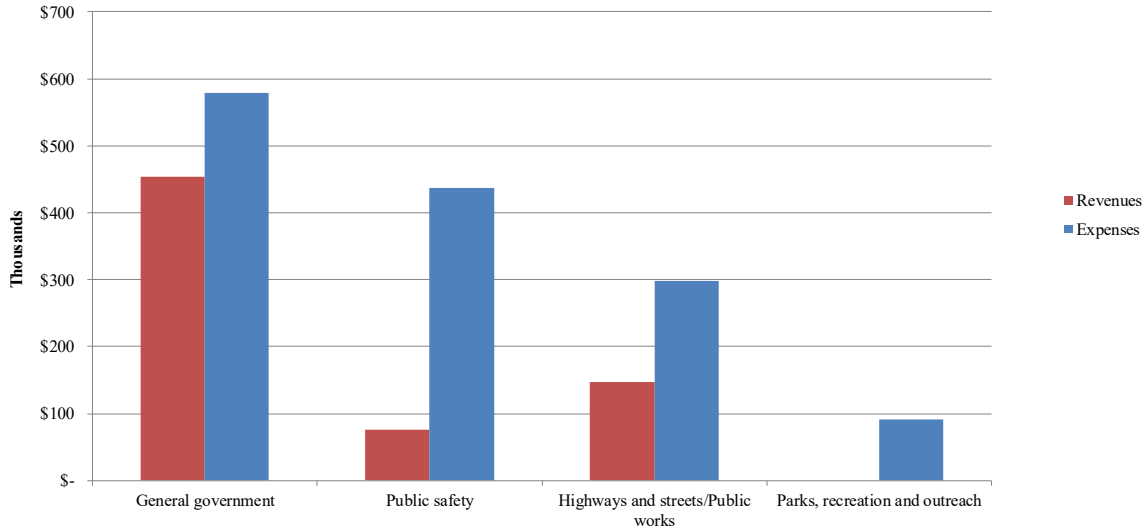
### Hildale City Changes in Net Position

	Governmental activities		Business-type activities		Totals	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Revenues:						
Program revenues:						
Charges for services	\$ 223,370	\$ 179,984	\$ 914,047	\$ 855,655	\$ 1,137,417	\$ 1,035,639
Operating grants and contributions	397,132	138,552	-	-	397,132	138,552
Capital grants and contributions	56,700	3,795	194,156	91,743	250,856	95,538
General revenues:						
Taxes	929,827	826,887	-	-	929,827	826,887
Other revenue/(expense)	3,007	45,112	6,155	18,364	9,162	63,476
Affiliate revenue	-	-	809,710	631,529	809,710	631,529
Total revenues	<u>1,610,036</u>	<u>1,194,330</u>	<u>1,924,068</u>	<u>1,597,291</u>	<u>3,534,104</u>	<u>2,791,621</u>
Expenses:						
General government	578,579	394,952	-	-	578,579	394,952
Public safety	436,578	553,426	-	-	436,578	553,426
Highways and streets/Public works	298,116	306,377	-	-	298,116	306,377
Parks and recreation	91,787	100,391	-	-	91,787	100,391
Interest on long-term debt	17,994	20,011	75,128	79,271	93,122	99,282
Sewer	-	-	929,997	706,362	929,997	706,362
Fiber system	-	-	-	20,078	-	20,078
Affiliate expenses	-	-	621,343	599,156	621,343	599,156
Total expenses	<u>1,423,054</u>	<u>1,375,157</u>	<u>1,626,468</u>	<u>1,404,867</u>	<u>3,049,522</u>	<u>2,780,024</u>
Increase (decrease) in net position	186,982	(180,827)	297,600	192,424	484,582	11,597
Net position, beginning	4,923,522	5,104,349	4,644,874	4,452,450	9,568,396	9,556,799
Restatement adjustment	3,979	-	(3,979)	-	-	-
Net position, ending	<u>\$ 5,114,483</u>	<u>\$ 4,923,522</u>	<u>\$ 4,938,495</u>	<u>\$ 4,644,874</u>	<u>\$ 10,052,978</u>	<u>\$ 9,568,396</u>

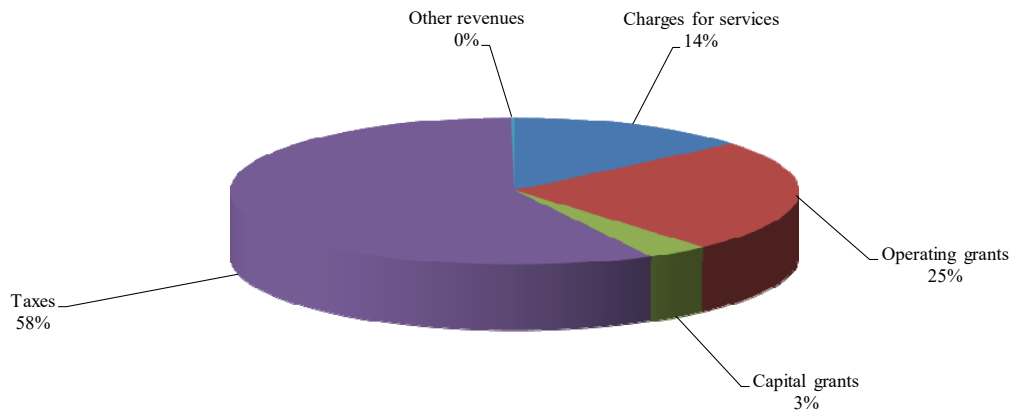
Total resources available during the year to finance governmental activities were \$6,533,558, consisting of net position at July 1, 2020 of \$4,923,522, program revenues of \$677,202 and general revenues of \$932,834. Total governmental activity expenses during the year were \$1,423,054; thus governmental net position increased by \$186,982 to \$5,114,483 (including \$3,979 restatement adjustment).

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

**Expenses and Program Revenues - Governmental Activities (in Thousands)**



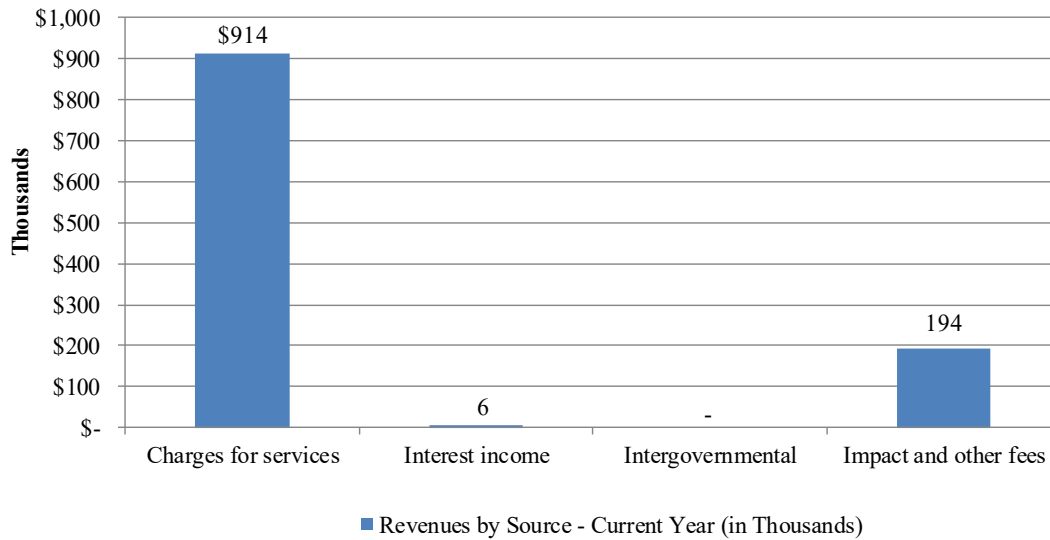
**Revenue By Source - Governmental Activities**



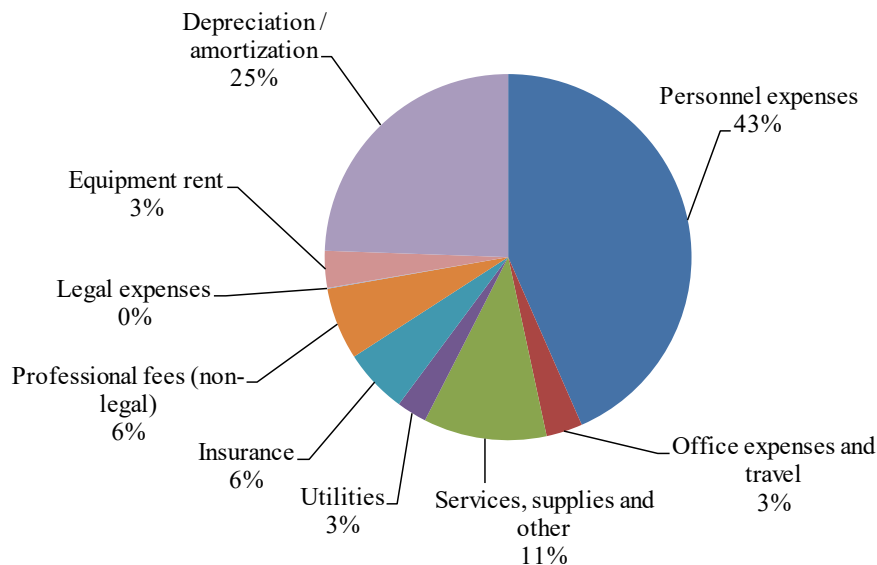
## Business-Type Activities

Net position of the business-type activities at June 30, 2021, as reflected in the statement of net position, is \$4,938,495. The cost of providing all proprietary (business-type) activities this year was \$1,626,468, which includes \$621,343 of affiliate expenses. As shown in the statement of changes in net position, the amount paid by users of the system was \$914,047 (excluding affiliates). Interest earnings were \$6,155, impact fees, capital contributions and other nonoperating revenues were \$194,156 and revenues from affiliates were \$809,710. Net position increased by \$297,600.

### Revenues by Source, excluding affiliates - Current Year (in Thousands)



### Operating Expenses, excluding affiliates- Current Year



## **Financial Analysis of Government's Funds**

**Governmental funds:** As of the end of the fiscal year, the City's general fund reported an ending fund balance of \$861,096, an increase of \$185,990 from the prior fiscal year. All of the balance constitutes either assigned or unassigned fund balance except for \$91,470 of restricted debt reserves, \$14,160 in restricted Class C road funds and \$2,608 in restricted community outreach funds. An interfund transfer of \$14,983 was made from the general fund to the capital projects fund in fiscal year 2021. All of the fund balance (\$522,469) in the capital projects fund is assigned to repair and replacement reserves or Industrial Park improvements. The unrestricted (i.e. assigned and unassigned) fund balance in the general fund increased from \$594,054 in the prior fiscal year to \$752,858 in the current fiscal year.

**Proprietary funds:** Total net position of the proprietary funds were a combined \$4,938,495, consisting of \$2,102,345 net investment in capital assets, \$1,688,404 invested in affiliates, \$80,000 restricted for debt service, \$304,644 restricted for capital projects – impact fees and \$763,102 in unrestricted net position. The combined change in net position was an increase of \$297,600, consisting of a \$109,233 increase in the sewer fund and a \$188,367 increase in affiliates.

### **General Fund Budgetary Highlights**

The City budgeted for a net decrease in fund balance of \$382,800, which is not consistent with the actual net increase of \$185,990. The final appropriations for the general fund at year-end were \$2,958,154 more than actual expenditures (including transfers out). The budget and actual variance in appropriations were across all departments. Actual revenues (including other financing sources) were less than the final budget by \$2,389,364 mainly due to intergovernmental revenue and other revenues. Budget amendments and supplemental appropriations were made during the year in an effort to prevent budget overruns after adoption of the original budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the City are those assets that are used in performance of city functions including infrastructure assets. Capital assets include equipment, buildings, land, park facilities, roads, utility systems and other improvements. At the end of fiscal year 2021, net capital assets of the government activities totaled \$4,565,608 and the net capital assets of the business-type activities totaled \$3,913,171 (excluding affiliates). Depreciation on capital assets is recognized in the government-wide financial statements. See notes to the financial statements.

### **Debt**

At fiscal year-end, the City had \$822,652 in governmental-type debt and \$1,810,826 in proprietary debt, excluding compensated absences and affiliate balances. The debt is a liability of the City. During the current fiscal year, the City's total debt decreased by \$213,558 (excluding affiliates). The City issued refunding sewer bonds in fiscal year 2021.

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the City's budget for fiscal year 2021/2022, the city council and management were cautious as to the growth of revenues and expenditures. Overall, general fund operating expenditures were budgeted so as to contain costs at approximately the same level as fiscal year 2020/2021.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the City, Hildale City, P.O. Box 840490, Hildale, UT, 84784.

## **BASIC FINANCIAL STATEMENTS**

**HILDALE CITY, UTAH**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 907,933	\$ 1,360,649	\$ 2,268,582
Receivables, net	325,157	130,815	455,972
Internal balances	371,459	(371,459)	-
Prepaid items	-	2,625	2,625
Restricted cash and cash equivalents	91,470	80,000	171,470
Investment in affiliates	-	1,688,404	1,688,404
Capital assets (net of accumulated depreciation):			
Land	38,707	364,661	403,368
Construction in progress	32,602	22,046	54,648
Buildings	707,382	421,645	1,129,027
Improvements other than buildings	1,606,831	2,751,575	4,358,406
Machinery and equipment	106,347	40,352	146,699
Office furniture and equipment	5,917	-	5,917
Automobiles and trucks	386,991	312,892	699,883
Infrastructure	1,680,831	-	1,680,831
Total assets	<u>6,261,627</u>	<u>6,804,205</u>	<u>13,065,832</u>
<b>Liabilities</b>			
Accounts payable and other accrued liabilities	213,341	46,569	259,910
Accrued interest payable	12,038	-	12,038
Noncurrent liabilities:			
Due within one year	106,062	203,964	310,026
Due in more than one year	716,590	1,615,177	2,331,767
Total liabilities	<u>1,048,031</u>	<u>1,865,710</u>	<u>2,913,741</u>
<b>Deferred inflows of resources</b>			
Deferred revenue - property taxes	99,113	-	99,113
Total deferred inflows of resources	<u>99,113</u>	<u>-</u>	<u>99,113</u>
<b>Net position</b>			
Net investment in capital assets	3,742,956	2,102,345	5,845,301
Invested in affiliates	-	1,688,404	1,688,404
Restricted for:			
Debt service	91,470	80,000	171,470
Capital outlay	-	304,644	304,644
Class C roads	14,160	-	14,160
Other purposes	2,608	-	2,608
Unrestricted	1,263,289	763,102	2,026,391
Total net position	<u>\$ 5,114,483</u>	<u>\$ 4,938,495</u>	<u>\$ 10,052,978</u>

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

**HILDALE CITY, UTAH**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 578,579	\$ 164,518	\$ 254,546	\$ 34,700	\$ (124,815)	\$ -	\$ (124,815)
Public safety	436,578	56,652	20,019	-	(359,907)	-	(359,907)
Highways and streets/Public works	298,116	2,200	122,567	22,000	(151,349)	-	(151,349)
Parks, recreation and outreach	91,787	-	-	-	(91,787)	-	(91,787)
Interest on long-term debt	17,994	-	-	-	(17,994)	-	(17,994)
Total governmental activities	1,423,054	223,370	397,132	56,700	(745,852)	-	(745,852)
Business-type activities:							
Sewer	1,005,125	914,047	-	194,156	-	103,078	103,078
Investment in affiliates	621,343	627,508	-	182,202	-	188,367	188,367
Total business-type activities	1,626,468	1,541,555	-	376,358	-	291,445	291,445
Total primary government	\$ 3,049,522	\$ 1,764,925	\$ 397,132	\$ 433,058	(745,852)	291,445	(454,407)
General Revenues:							
Taxes:							
Property taxes levied for general purposes					254,990	-	254,990
Sales and use taxes					590,219	-	590,219
Franchise taxes					84,618	-	84,618
Unrestricted investment earnings					3,007	6,155	9,162
Total general revenues					932,834	6,155	938,989
Change in net position					186,982	297,600	484,582
Net position - beginning					4,923,522	4,644,874	9,568,396
Restatement adjustment					3,979	(3,979)	-
Net position - ending					\$ 5,114,483	\$ 4,938,495	\$ 10,052,978

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



**HILDALE CITY, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 385,464	\$ 522,469	\$ 907,933
Restricted cash and cash equivalents	91,470	-	91,470
Receivables, net of allowance			
Services	48,465	-	48,465
Leases	4,372	-	4,372
Property taxes - subsequent year	99,113	-	99,113
Due from other governments	173,207	-	173,207
Due from other funds	371,459	-	371,459
<b>Total assets</b>	<b>\$ 1,173,550</b>	<b>\$ 522,469</b>	<b>\$ 1,696,019</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>			
Liabilities:			
Accounts payable	\$ 174,028	\$ -	\$ 174,028
Accrued liabilities	39,313	-	39,313
Total liabilities	213,341	-	213,341
Deferred inflows of resources:			
Deferred revenue - property taxes	99,113	-	99,113
Total deferred inflows of resources	99,113	-	99,113
Fund balances:			
Restricted:			
Debt reserves	91,470	-	91,470
Class C roads	14,160	-	14,160
Other purposes	2,608	-	2,608
Assigned:			
Subsequent year's budget: appropriation of fund balance	411,229	-	411,229
Repair and replacement reserves:			
Court	-	1,200	1,200
Fire	-	11,550	11,550
Building	-	7,200	7,200
Streets	-	100,710	100,710
Parks	-	23,700	23,700
Industrial Park improvements	-	378,109	378,109
Risk management	131,162	-	131,162
Unassigned	210,467	-	210,467
Total fund balances	861,096	522,469	1,383,565
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,173,550</b>	<b>\$ 522,469</b>	<b>\$ 1,696,019</b>

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

**HILDALE CITY, UTAH**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**June 30, 2021**

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

Total fund balances - total governmental funds		\$ 1,383,565
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Cost of capital assets	\$ 7,400,441	
Accumulated depreciation	<u>(2,834,833)</u>	4,565,608
<p>Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Debt outstanding	(822,652)	
Accrued interest payable	<u>(12,038)</u>	<u>(834,690)</u>
Net position of governmental activities		<u>\$ 5,114,483</u>

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

**HILDALE CITY, UTAH**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 254,990	\$ -	\$ 254,990
Sales and use taxes	590,219	-	590,219
Franchise taxes	84,618	-	84,618
Licenses and permits	32,260	-	32,260
Intergovernmental revenue	431,833	-	431,833
Charges for services	93,770	-	93,770
Lease revenues	54,897	-	54,897
Other revenues	64,442	-	64,442
Interest income	3,007	-	3,007
Total revenues	<u>1,610,036</u>	<u>-</u>	<u>1,610,036</u>
<b>Expenditures</b>			
Current:			
General government	713,280	-	713,280
Public safety	334,298	-	334,298
Highways and streets/Public works	147,991	-	147,991
Parks, recreation and outreach	90,798	-	90,798
Debt service	122,696	-	122,696
Capital outlay	-	14,983	14,983
Total expenditures	<u>1,409,063</u>	<u>14,983</u>	<u>1,424,046</u>
Excess (deficiency) of revenues over expenditures	<u>200,973</u>	<u>(14,983)</u>	<u>185,990</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	14,983	14,983
Transfers out	(14,983)	-	(14,983)
Total financing sources (uses)	<u>(14,983)</u>	<u>14,983</u>	<u>-</u>
Net change in fund balance	185,990	-	185,990
Fund balance, beginning of year	671,127	522,469	1,193,596
Restatement adjustment	3,979	-	3,979
<b>Fund balance, end of year</b>	<u>\$ 861,096</u>	<u>\$ 522,469</u>	<u>\$ 1,383,565</u>

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

**HILDALE CITY, UTAH**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2021**

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

Net change in fund balances - total governmental funds		\$ 185,990
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlays	\$ 255,537	
Depreciation expense	<u>(322,015)</u>	(66,478)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net position.</p>		
		(37,232)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Principal repayments	<u>103,555</u>	103,555
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Accrued interest	<u>1,147</u>	<u>1,147</u>
Change in net position of governmental activities		<u><u>\$ 186,982</u></u>

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

**HILDALE CITY, UTAH**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	Business-type Activities				Total Business-type Activities
	Sewer	Affiliates	Total Enterprise Funds	Internal Service Funds	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 1,360,649	\$ -	\$ 1,360,649	\$ -	\$ 1,360,649
Receivables, net of allowance	130,815	-	130,815	-	130,815
Prepaid items	2,625	-	2,625	-	2,625
Total current assets	<u>1,494,089</u>	<u>-</u>	<u>1,494,089</u>	<u>-</u>	<u>1,494,089</u>
Noncurrent assets:					
Restricted cash and cash equivalents	80,000	-	80,000	-	80,000
Investment in affiliates	-	1,688,404	1,688,404	-	1,688,404
Capital assets:					
Land	364,661	-	364,661	-	364,661
Construction in progress	22,046	-	22,046	-	22,046
Buildings	1,051,028	-	1,051,028	456,806	1,507,834
Improvements other than buildings	6,882,308	-	6,882,308	-	6,882,308
Automobiles and trucks	778,997	-	778,997	-	778,997
Machinery and equipment	135,718	-	135,718	198,291	334,009
Less: accumulated depreciation	(5,763,498)	-	(5,763,498)	(213,186)	(5,976,684)
Total noncurrent assets	<u>3,551,260</u>	<u>1,688,404</u>	<u>5,239,664</u>	<u>441,911</u>	<u>5,681,575</u>
Total assets	<u>5,045,349</u>	<u>1,688,404</u>	<u>6,733,753</u>	<u>441,911</u>	<u>7,175,664</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	5,943	-	5,943	40,626	46,569
Due to other funds	-	-	-	371,459	371,459
Compensated absences - current	3,326	-	3,326	-	3,326
Capital leases payable - current	-	-	-	14,638	14,638
Bonds payable - current	186,000	-	186,000	-	186,000
Total current liabilities	<u>195,269</u>	<u>-</u>	<u>195,269</u>	<u>426,723</u>	<u>621,992</u>
Noncurrent liabilities:					
Compensated absences	4,989	-	4,989	-	4,989
Capital leases payable	-	-	-	15,188	15,188
Bonds payable	1,595,000	-	1,595,000	-	1,595,000
Total noncurrent liabilities	<u>1,599,989</u>	<u>-</u>	<u>1,599,989</u>	<u>15,188</u>	<u>1,615,177</u>
Total liabilities	<u>1,795,258</u>	<u>-</u>	<u>1,795,258</u>	<u>441,911</u>	<u>2,237,169</u>
<b>Net position</b>					
Net investment in capital assets	1,690,260	-	1,690,260	412,085	2,102,345
Invested in affiliates	-	1,688,404	1,688,404	-	1,688,404
Restricted:					
Debt reserves	80,000	-	80,000	-	80,000
Capital outlay - impact fees	304,644	-	304,644	-	304,644
Unrestricted	1,175,187	-	1,175,187	(412,085)	763,102
Total net position	<u>\$ 3,250,091</u>	<u>\$ 1,688,404</u>	<u>\$ 4,938,495</u>	<u>\$ -</u>	<u>\$ 4,938,495</u>

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

**HILDALE CITY, UTAH**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	Business-type Activities			
	Sewer	Affiliates	Total Enterprise Funds	Internal Service Funds
<b>Operating revenues</b>				
Charges for services	\$ 914,047	\$ -	\$ 914,047	\$ 1,270,141
Total operating revenues	914,047	-	914,047	1,270,141
<b>Operating expenses</b>				
Personnel expenses	402,332	-	402,332	811,933
Office expenses and travel	29,613	-	29,613	57,239
Services, supplies and other	100,655	-	100,655	94,862
Utilities and occupancy	24,693	-	24,693	19,991
Insurance	52,888	-	52,888	105,776
Professional fees (non-legal)	59,005	-	59,005	90,032
Legal expenses	643	-	643	2,570
Equipment rent	30,223	-	30,223	60,446
Depreciation	226,359	-	226,359	25,644
Total operating expenses	926,411	-	926,411	1,268,493
Operating income (loss)	(12,364)	-	(12,364)	1,648
<b>Nonoperating revenues (expenses)</b>				
Interest income	6,155	-	6,155	-
Impact fees	178,094	-	178,094	-
Other revenues	500	-	500	-
Interest expense and fiscal charges	(75,128)	-	(75,128)	(1,648)
Loss on disposal of capital assets	(3,586)	-	(3,586)	-
Net income (loss) from affiliates	-	188,367	188,367	-
Total nonoperating revenues (expenses)	106,035	188,367	294,402	(1,648)
Income (loss) before capital contributions and transfers	93,671	188,367	282,038	-
Capital contributions	15,562	-	15,562	-
<b>Change in net position</b>	109,233	188,367	297,600	-
Total net position, beginning of year	3,140,858	1,500,037	4,640,895	-
<b>Total net position, end of year</b>	<b>\$ 3,250,091</b>	<b>\$ 1,688,404</b>	<b>\$ 4,938,495</b>	<b>\$ -</b>

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

**HILDALE CITY, UTAH**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	Business-type Activities		
	Sewer	Internal Service Funds	Combined Total (Memorandum Only)
<b>Cash flows from operating activities</b>			
Receipts from customers, service fees	\$ 887,613	\$ -	\$ 887,613
Receipts from interfund charges for services	-	1,270,141	1,270,141
Payments to suppliers and service providers	(75,980)	(451,268)	(527,248)
Payments to employees	(6,865)	(811,933)	(818,798)
Payments for interfund charges for services	(598,814)	-	(598,814)
Cash flows from operating activities	<u>205,954</u>	<u>6,940</u>	<u>212,894</u>
<b>Cash flows from non-capital financing activities</b>			
Transfers from (to) other funds	-	4,159	4,159
Cash flows from non-capital financing activities	<u>-</u>	<u>4,159</u>	<u>4,159</u>
<b>Cash flows from capital and related financing activities</b>			
Impact fees	178,094	-	178,094
Other revenues	500	-	500
Proceeds from capital debt	1,701,000	-	1,701,000
Principal paid on capital debt	(1,796,893)	(14,110)	(1,811,003)
Capital contributions	15,562	-	15,562
Interest paid	(75,128)	(1,648)	(76,776)
Cash flows from capital and related financing activities	<u>23,135</u>	<u>(15,758)</u>	<u>7,377</u>
<b>Cash flows from investing activities</b>			
Interest received	6,155	-	6,155
<b>Net change in cash and cash equivalents</b>	235,244	(4,659)	230,585
Cash and cash equivalents, beginning of year, including restricted cash	<u>1,205,405</u>	<u>4,659</u>	<u>1,210,064</u>
<b>Cash and cash equivalents, end of year, including restricted cash</b>	<u>\$ 1,440,649</u>	<u>\$ -</u>	<u>\$ 1,440,649</u>
Reconciliation of operating income to net cash flows from operating activities:			
Operating income (loss)	\$ (12,364)	\$ 1,648	\$ (10,716)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	226,359	25,644	252,003
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	(26,434)	-	(26,434)
(Increase)/decrease in prepaid items	5,250	-	5,250
Increase/(decrease) in accounts payable	9,632	(20,352)	(10,720)
Increase/(decrease) in compensated absences	3,511	-	3,511
Net cash flows from operating activities	<u>\$ 205,954</u>	<u>\$ 6,940</u>	<u>\$ 212,894</u>
<b>Schedule of non-cash capital and related financing activities:</b>			
Disposal of capital assets with a net book value of:	\$ 3,586	\$ -	\$ 3,586

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

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 1. Summary of Significant Accounting Policies**

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**Description of Government-Wide 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 primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting Entity**

Hildale City, Utah (the City) is a municipal corporation and political subdivision of the State of Utah, organized and existing as a third class city pursuant to Title 10, Utah Code Annotated 1953, as amended. The City is governed by a mayor and five council members elected for staggered four-year terms. The mayor presides over all meetings but casts no vote in the council except in case of a tie.

The accompanying financial statements present the City and its component units—entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

There are no separate component units combined to form the reporting entity. However, the City has an equity interest in Twin City Water Joint Management, Operations and Maintenance Agreement (the Water Departments) and the Gas Distribution Systems, Operations and Maintenance Agreement (the Gas Departments). See Note 7 for further details.

**Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City’s enterprise funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds (when applicable), even though the latter are excluded from the government-wide financial statements.

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



**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City’s funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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 accounted for in another fund.

The **Capital Projects Fund** accounts for the acquisition and construction of the City’s major capital facilities and other capital projects (including repair and replacement activity), other than those financed by proprietary funds.

The City reports the following major enterprise fund:

The **Sewer Fund** accounts for the activities of the City’s wastewater collection and treatment facilities.

Additionally, the City reports the following fund type:

**Internal service funds** account for risk management (litigation defense and settlements), court judgment resolution (monitoring, consulting, training and reviews) and administration (basic shared utility department expenses) services provided to other departments or agencies of the City, or to other governments on a cost-reimbursement basis.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise and internal service funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 related cash flows. Property taxes are recognized as revenues 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 governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Cash and Cash Equivalents***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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***Investments***

The City's investment policy allows for the investment of funds in the state treasurer's pool and other investments as allowed by the State of Utah's Money Management Act. Investments for the City are reported at fair value (generally based on quoted market prices) with unrealized gains and losses recorded as adjustments to interest/investments earnings.

***Receivables***

Receivables consist primarily of accounts due for services provided and related late penalties and interest. Management periodically reviews accounts receivable and writes off uncollectible accounts. The general fund's and sewer fund's allowances for uncollectible accounts as of June 30, 2021 are \$6,963 and \$853, respectively.

***Inventories and Prepaid Items***

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business type activities are valued at cost using the first-in/first-out (FIFO) method. Inventories in all fund types are immaterial and are not recorded.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***Capital Assets***

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	7-40 years
Improvements other than buildings	7-30 years
Automobiles and trucks	5-10 years
Machinery and equipment	3-10 years
Infrastructure	15-30 years

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City does not have any such items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category. Accordingly, the item, *deferred revenue – property taxes* is reported in both the governmental funds balance sheet and the statement of net position. The governmental funds report deferred revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period for which they are levied and/or intended.

***Net Position Flow Assumptions***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund Balance Flow Assumptions***

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The city council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The city council is authorized to assign amounts to a specific purpose in accordance with the City's budget policy. The city council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and Expenditures/Expenses**

***Program Revenues***

Amounts reported as 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 segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***Property Taxes***

Property taxes are collected by the Washington County Treasurer and remitted to the City in multiple installments. Taxes are levied each October on the taxable value listed as of the prior January 1 (lien date) for all real property located in the City. Taxable values are established by the county assessor at a percent of the fair value on primary residential property and 100 percent of the fair value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

An accrual of uncollected *delinquent* property taxes has not been made since the amounts are not measureable and cannot be reasonably estimated. The delinquent amounts may be material.

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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*City Personnel, Payroll and Compensated Absences*

The majority of the City's personnel are employed by the Town of Colorado City. The City reimburses Colorado City for wages, payroll taxes and benefits for these contracted employees. Because the majority of the City's personnel are employed by Colorado City, accruals for compensated absences are based on Colorado City's related policies. Some of the personnel on the City's payroll are not full-time employees. Hildale City does not currently have a separate policy relating to compensated absences, so there is no accrual in addition to the accrual relating to Colorado City's policies.

*Proprietary Funds Operating and Nonoperating Revenues and Expenses*

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

**Budgets and Budgetary Accounting**

Annual budgets are prepared and adopted by the city council on or before June 22 for the fiscal year commencing the following July 1, in accordance with State law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State law, at the department level. Budget amendments are required to increase expenditure budgets. The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting, except that depreciation for all proprietary fund types was not budgeted. During the current fiscal year there were no amendments to the budget.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and deferred inflows of resources) and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**Risk Management**

The City maintains insurance for general liability, auto liability, employee dishonesty and worker's compensation through various insurance companies.

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 15.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 17.

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**NOTE 3. Deposits and Investments**

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The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Hildale City funds in qualified depositories. 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 State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City's central treasury consists of the following at fiscal year-end:

State Treasurer's Investment Pool	\$ 3,232,824
Cash in bank	302,797
Less amounts to Hildale and Colorado City Joint Utilities	<u>(1,096,169)</u>
Total	<u>\$ 2,439,452</u>

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 3. Deposits and Investments, Continued**

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The City's cash in the City's central treasury and cash on hand at fiscal year-end are as follows:

Equity in central treasury	\$ 2,439,452
Cash on hand	<u>600</u>
Total	<u><u>\$ 2,440,052</u></u>

The City's deposits and investments are shown in the statement of net position as follows:

Cash and cash equivalents	\$ 2,268,582
Restricted cash and cash equivalents	<u>171,470</u>
	<u><u>\$ 2,440,052</u></u>

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2021, \$256,833 of the City's central treasury's bank balance of \$506,833 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

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

The Act authorizes investments in negotiable or nonnegotiable deposits of qualified depositories and permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); 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 a money market mutual fund as defined in the Act; the Utah Public Treasurer's Investment Fund; and reciprocal deposits subject to rules of the State Money Management Council.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.



**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 3. Deposits and Investments, Continued**

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established 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 gain or losses on investments. Financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer's office.

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 participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2021 the City had the following investments, ratings and maturities:

Investment Type	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
State of Utah Public Treasurer's Investment Fund	\$ 3,232,824	N/A	66.70
Total Fair Value	<u>\$ 3,232,824</u>		

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using the weighted average days to maturity.

**Interest rate risk**

Interest rate risk is the risk that changes in 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 State's Money Management 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.

**Credit risk**

Credit risk is risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing exposure to credit risk is to comply with the State's Money Management Act.

**Fair value measurements**

As noted above, the City holds investments that are measured at fair value on a recurring basis. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The State of Utah Public Treasurer's Investment Fund, as listed above, is valued using significant other observable inputs (Level 2 inputs).

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 4. Capital Assets**

The following is a summary of the changes to capital assets for governmental activities during the year:

<b>Governmental activities:</b>	<b>Balance 6/30/2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers*</b>	<b>Balance 6/30/2021</b>
Capital assets, not being depreciated:					
Land	\$ 38,707	\$ -	\$ -	\$ -	\$ 38,707
Construction in progress	-	32,602	-	-	32,602
Total capital assets, not being depreciated	<u>38,707</u>	<u>32,602</u>	<u>-</u>	<u>-</u>	<u>71,309</u>
Capital assets, being depreciated:					
Buildings	982,117	58,331	(85,344)	-	955,104
Improvements other than buildings	1,787,540	106,701	(12,767)	-	1,881,474
Machinery and equipment	880,699	50,803	(115,620)	-	815,882
Office furniture and equipment	93,054	7,100	(76,224)	-	23,930
Automobiles and trucks	1,523,631	-	(2,400)	27,124	1,548,355
Infrastructure	2,104,387	-	-	-	2,104,387
Total capital assets, being depreciated	<u>7,371,428</u>	<u>222,935</u>	<u>(292,355)</u>	<u>27,124</u>	<u>7,329,132</u>
Less accumulated depreciation for:					
Buildings	(274,503)	(25,466)	52,247	-	(247,722)
Improvements other than buildings	(221,241)	(62,034)	8,632	-	(274,643)
Machinery and equipment	(789,767)	(35,388)	115,620	-	(709,535)
Office furniture and equipment	(91,268)	(2,969)	76,224	-	(18,013)
Automobiles and trucks	(1,018,581)	(118,059)	2,400	(27,124)	(1,161,364)
Infrastructure	(345,457)	(78,099)	-	-	(423,556)
Total accumulated depreciation	<u>(2,740,817)</u>	<u>(322,015)</u>	<u>255,123</u>	<u>(27,124)</u>	<u>(2,834,833)</u>
Total capital assets, being depreciated, net	<u>4,630,611</u>	<u>(99,080)</u>	<u>(37,232)</u>	<u>-</u>	<u>4,494,299</u>
Governmental activities capital assets, net	<u>\$ 4,669,318</u>	<u>\$ (66,478)</u>	<u>\$ (37,232)</u>	<u>\$ -</u>	<u>\$ 4,565,608</u>

\*A vehicle with a net book value of zero was transferred from the utility funds (business-type activities) to the general fund (governmental activities).

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

<b>Governmental activities:</b>	
General government	\$ 32,801
Public safety	132,800
Highways and streets/Public works	150,125
Parks and recreation	6,289
Total depreciation expense - governmental activities	<u>\$ 322,015</u>

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 4. Capital Assets, Continued**

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The following is a summary of the changes to capital assets for business-type activities during the year:

<b>Business-type activities:</b>	<u>Balance 6/30/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers*</u>	<u>Balance 6/30/2021</u>
Capital assets not being depreciated:					
Land	\$ 364,661	\$ -	\$ -	\$ -	\$ 364,661
Construction in progress	22,046	-	-	-	22,046
Total capital assets, not being depreciated	<u>386,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>386,707</u>
Capital assets being depreciated:					
Buildings	1,518,198	-	(10,364)	-	1,507,834
Sewer treatment plant and system improvements	6,983,059	-	(100,751)	-	6,882,308
Machinery and equipment	424,804	-	(90,795)	-	334,009
Automobiles and trucks	878,513	-	(72,393)	(27,123)	778,997
Total capital assets, being depreciated	<u>9,804,574</u>	<u>-</u>	<u>(274,303)</u>	<u>(27,123)</u>	<u>9,503,148</u>
Less accumulated depreciation for:					
Buildings	(1,080,419)	(14,353)	8,583	-	(1,086,189)
Sewer treatment plant and system improvements	(4,051,358)	(173,390)	94,015	-	(4,130,733)
Machinery and equipment	(370,263)	(14,189)	90,795	-	(293,657)
Automobiles and trucks	(515,551)	(50,070)	72,393	27,123	(466,105)
Total accumulated depreciation	<u>(6,017,591)</u>	<u>(252,002)</u>	<u>265,786</u>	<u>27,123</u>	<u>(5,976,684)</u>
Total capital assets, being depreciated, net	<u>3,786,983</u>	<u>(252,002)</u>	<u>(8,517)</u>	<u>-</u>	<u>3,526,464</u>
Business-type activities capital assets, net	<u>\$ 4,173,690</u>	<u>\$ (252,002)</u>	<u>\$ (8,517)</u>	<u>\$ -</u>	<u>\$ 3,913,171</u>

\*A vehicle with a net book value of zero was transferred from the utility funds (business-type activities) to the general fund (governmental activities).

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 5. Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

	Balance 6/30/2020	Additions	Retirements	Balance 6/30/2021	Current Portion
<b>Business-type activities:</b>					
Direct placements and borrowings:					
Sewer Revenue Bonds, Series 2000A	\$ 160,000	\$ -	\$ 80,000	\$ 80,000	\$ 80,000
Sewer Revenue Bonds, Series 2000B	1,443,750	-	1,443,750	-	-
Sewer Revenue Bonds, Series 2000C	273,143	-	273,143	-	-
Sewer Revenue Refunding Bonds, Series 2021	-	1,701,000	-	1,701,000	106,000
Capital leases payable	43,936	-	14,110	29,826	14,638
Compensated absences	4,804	3,511	-	8,315	3,326
Total business-type activities	<u>1,925,633</u>	<u>1,704,511</u>	<u>1,811,003</u>	<u>1,819,141</u>	<u>203,964</u>
<b>Governmental activities:</b>					
Direct placements and borrowings:					
Sales Tax Revenue Bonds, Series 2015	452,000	-	72,000	380,000	73,000
Sales Tax Revenue Bonds, Series 2018	432,000	-	18,000	414,000	19,000
Capital leases payable	42,207	-	13,555	28,652	14,062
Total governmental activities	<u>926,207</u>	<u>-</u>	<u>103,555</u>	<u>822,652</u>	<u>106,062</u>
Total long-term liabilities	<u>\$ 2,851,840</u>	<u>\$1,704,511</u>	<u>\$ 1,914,558</u>	<u>\$ 2,641,793</u>	<u>\$ 310,026</u>

The City's outstanding sewer revenue bonds (Series 2000) from direct placements related to business-type activities of \$80,000 contain a provision that in an event of default (i.e. Sewer fund revenues not sufficient to make payments and failure to revise the rates, fees and charges so that such deficiency will be remedied before the end of the next ensuing year), the bondholder may require the City to pay an interest penalty equal to 18% per annum of the outstanding principal and interest. The bondholder has authority, to the extent permitted by law, to bring appropriate action in court to compel the City to carry out the provisions of the bond resolution. The City's outstanding sewer revenue refunding bonds (Series 2021) from direct placements related to business-type activities of \$1,701,000 contains a provision that in an event of default (i.e. failure to pay principal or interest on the bonds when due and payable or to perform any covenant or requirement under the master resolution of the bonds within 30 days after having been notified in writing by a bondholder of such failure), the bondholder may pursue any available remedy by suit at law or in equity to enforce the payment of the bonds and any other obligations. The bondholder may appoint a trustee bank to act as a receiver of the revenues of the system for purposes of applying said revenues toward the revenue allocations required under the agreement and in general, protecting and enforcing each bondholder's rights. The sewer revenue bonds are secured by sewer fund revenues.

The City's outstanding bonds from direct placements related to governmental activities of \$794,000 contain a provision that in an event of default (i.e. failure to perform any covenant or requirement under the bond resolution within 30 days after having been notified by a bondholder of such failure), the bondholder may require the City to pay an interest penalty equal to 18% per annum of the outstanding principal and interest. The bondholder may appoint a trustee bank to act as a receiver of the pledge revenues for purpose of applying them toward the required revenue allocations and in general protecting and enforcing bondholder rights. The sales tax revenue bonds are secured by sales and use tax revenues received by the City.

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 5. Long-Term Liabilities, Continued**

The City has a credit account with a financial institution with a maximum limit of \$25,000 and an unused amount of \$23,348 as of June 30, 2021.

Long-term liabilities consist of the following at June 30, 2021:

**Revenue bonds:**

Parity Sewer Revenue Bond, Series 2000A, due in annual principal installments ranging from \$79,000 - \$80,000, non-interest bearing, maturing April 1, 2022.	\$ 80,000
Sewer Revenue Refunding Bond, Series 2021, due in annual principal installments ranging from \$106,000 - \$144,000, bearing interest at 2.85%, maturing June 25, 2035. Interest is paid semi-annually.	1,701,000
Sales Tax Revenue Bonds, Series 2015, due in annual principal and interest installments ranging from \$78,950 - \$79,605, bearing interest at 1.5%, maturing October 1, 2025.	380,000
Sales Tax Revenue Bonds, Series 2018, due in annual principal and interest installments, beginning October 1, 2019, ranging from \$28,400 - \$29,325, bearing interest at 2.5%, maturing October 1, 2038.	<u>414,000</u>
Total revenue bonds payable	2,575,000

**Leases payable:**

Leases payable in various installment methods through fiscal year 2023, bearing interest at 3.67%.	58,478
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**Compensated absences**

Total long-term liabilities	<u>2,641,793</u>
Less current portion:	
Business-type activities	(203,964)
Governmental activities	<u>(106,062)</u>

Total long-term liabilities, net of current portion	<u><u>\$ 2,331,767</u></u>
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**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 5. Long-Term Liabilities, Continued**

Revenue bonds debt service requirements to maturity are as follows:

Year Ending June 30,	Direct placements and borrowings			
	Sewer Revenue Bonds		Sales Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 186,000	\$ 43,111	\$ 92,000	\$ 16,050
2023	107,000	42,146	94,000	14,480
2024	108,000	40,327	95,000	12,880
2025	111,000	38,329	97,000	11,265
2026	113,000	36,053	99,000	9,610
2027-2031	606,000	137,762	110,000	34,275
2032-2036	550,000	44,748	125,000	19,775
2037-2041	-	-	82,000	4,125
Totals	<u>\$ 1,781,000</u>	<u>\$ 382,476</u>	<u>\$ 794,000</u>	<u>\$ 122,460</u>

**NOTE 6. Capital Leases**

The City has entered into lease agreements that are considered capital leases in accordance with accounting standards. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

Year Ending June 30,	2016 Backhoe #622	2016 Backhoe #729	Total
2022	\$ 15,756	\$ 15,137	\$ 30,893
2023	15,758	15,137	30,895
Total remaining lease payments	31,514	30,274	61,788
Less amount representing interest	(1,688)	(1,622)	(3,310)
Present value of net remaining minimum lease payments	<u>\$ 29,826</u>	<u>\$ 28,652</u>	<u>\$ 58,478</u>

A summary of assets acquired through capital leases as of June 30, 2021 is as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Machinery and equipment	\$ 169,400	\$ 24,200	\$ 88,774

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 7. Investment in Affiliates**

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The City has the following investments that are accounted for using the equity method:

**Water Departments of Hildale/Colorado City**

The Twin City Water Joint Management, Operations and Maintenance Agreement (the Water Departments) was formed on February 22, 1996 by the Town of Colorado City, Arizona and Hildale City, Utah (the municipalities). The Town of Colorado City, Arizona, pursuant to the provisions of Title 11, Chapter 7, Article 3, Arizona Revised Statutes, as amended (the “Arizona Joint Exercise of Powers Act”) and the City of Hildale, Utah, pursuant to the provisions of Title 11, Chapter 13, Utah Code Annotated 1953, as amended (the “Utah Interlocal Co-operation Act”) entered into the “Inter-Governmental Agreement.” An updated intergovernmental cooperative agreement for utilities systems management, operations and maintenance became effective in May 2014.

The Water Departments’ proportionate shares are based on the proportionate amount of water system utility customers and usage for each of the municipalities. The proportionate shares allocation did not change as of and for the year ended June 30, 2021 resulting in no proportionate shares allocation adjustment. There is an offsetting adjustment in the financial statements of the Town of Colorado City, Arizona, when applicable. See further details in the Water Departments’ financial statements for the year ended June 30, 2021.

The board of trustees consists of nine members—four members appointed by the mayor and council of Hildale City, four members appointed by the mayor and council of Colorado City and one member appointed by the joint designation of both municipalities. Each member is entitled to one vote. The Hildale City council consists of a mayor and five council members. The Colorado City council consists of a mayor and six council members. Budgeting and financing is done by the board and is ratified by each municipality’s council.

The Water Departments' audited financial statements, for the year ended June 30, 2021, can be obtained at the following address:

Hildale City  
P.O. Box 840490  
320 E. Newel Avenue  
Hildale, Utah 84784

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 7. Investment in Affiliates, Continued**

**Water Departments, (Continued)**

The following is a summary of the total assets, liabilities, revenues, and expenses associated with the Water Departments and the allocation between the municipalities for the year ended June 30, 2021:

	<u>Hildale City</u>	<u>Colorado City</u>	<u>Total</u>
Total assets	<u>\$ 968,250</u>	<u>\$ 1,798,177</u>	<u>\$ 2,766,427</u>
Current liabilities	\$ 115,055	\$ 213,672	\$ 328,727
Long-term liabilities	<u>53,345</u>	<u>99,068</u>	<u>152,413</u>
Total liabilities	<u>168,400</u>	<u>312,740</u>	<u>481,140</u>
Net position	<u>799,850</u>	<u>1,485,437</u>	<u>2,285,287</u>
Total net position	<u>799,850</u>	<u>1,485,437</u>	<u>2,285,287</u>
Total liabilities and net assets	<u>\$ 968,250</u>	<u>\$ 1,798,177</u>	<u>\$ 2,766,427</u>
Total operating revenues	\$ 323,296	\$ 600,408	\$ 923,704
Total operating expenses	<u>320,115</u>	<u>594,501</u>	<u>914,616</u>
Operating income (loss)	3,181	5,907	9,088
Nonoperating revenues (expenses)	11,262	20,916	32,178
Capital contributions	<u>159,431</u>	<u>296,087</u>	<u>455,518</u>
Change in net position	<u>\$ 173,874</u>	<u>\$ 322,910</u>	<u>\$ 496,784</u>



**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 7. Investment in Affiliates, Continued**

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**Gas Departments of Hildale/Colorado City**

The Gas Distribution Systems Management, Operations and Maintenance Agreement (the Gas Departments) was formalized on June 22, 2009 by the Town of Colorado City, Arizona and Hildale City, Utah (the municipalities). The Town of Colorado City, Arizona, pursuant to the provisions of Title 11, Chapter 7, Article 3, Arizona Revised Statutes, as amended (the “Arizona Joint Exercise of Powers Act”) and the City of Hildale, Utah, pursuant to the provisions of Title 11, Chapter 13, Utah Code Annotated 1953, as amended (the “Utah Interlocal Co-operation Act”) entered into the “Inter-Governmental Agreement.” An updated intergovernmental cooperative agreement for utilities systems management, operations and maintenance became effective in May 2014.

The Gas Departments’ proportionate shares are based on the proportionate amount of gas system utility customers and usage for each of the municipalities. The proportionate shares allocation did not change as of and for the year ended June 30, 2021 resulting in no proportionate shares allocation adjustment. There is an offsetting adjustment in the financial statements of the Town of Colorado City, Arizona, when applicable. See further details in the Gas Departments’ financial statements for the year ended June 30, 2021.

The board of trustees consists of nine members—four members appointed by the mayor and council of Hildale City, four members appointed by the mayor and council of Colorado City and one member appointed by the joint designation of both municipalities. Each member is entitled to one vote. The Hildale City council consists of a mayor and five council members. The Colorado City council consists of a mayor and six council members. Budgeting and financing is done by the board and is ratified by each municipality’s council.

The Gas Departments’ audited financial statements, for the year ended June 30, 2021, can be obtained at the following address:

Hildale City  
P.O. Box 840490  
320 E. Newel Avenue  
Hildale, Utah 84784

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 7. Investment in Affiliates, Continued**

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**Gas Departments, (Continued)**

The following is a summary of the total assets, liabilities, revenues, and expenses associated with the Gas Departments and the allocation between the municipalities for the year ended June 30, 2021:

	Hildale City	Colorado City	Total
Total assets	<u>\$ 890,563</u>	<u>\$ 1,335,843</u>	<u>\$ 2,226,406</u>
Current liabilities	\$ 1,510	\$ 2,264	\$ 3,774
Long-term liabilities	499	748	1,247
Total liabilities	<u>2,009</u>	<u>3,012</u>	<u>5,021</u>
Net position	<u>888,554</u>	<u>1,332,831</u>	<u>2,221,385</u>
Total net position	<u>888,554</u>	<u>1,332,831</u>	<u>2,221,385</u>
Total liabilities and net position	<u>\$ 890,563</u>	<u>\$ 1,335,843</u>	<u>\$ 2,226,406</u>
Total operating revenues	\$ 290,654	\$ 435,981	\$ 726,635
Total operating expenses	<u>293,422</u>	<u>440,135</u>	<u>733,557</u>
Operating income (loss)	(2,768)	(4,154)	(6,922)
Nonoperating revenues (expenses)	673	1,010	1,683
Capital contributions	<u>16,588</u>	<u>24,883</u>	<u>41,471</u>
Change in net position	<u>\$ 14,493</u>	<u>\$ 21,739</u>	<u>\$ 36,232</u>

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**NOTE 8. Individual Fund Disclosures – Segment Information**

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The sewer fund accounts for the operation and maintenance of the sewer collection and treatment system. The segment information for the sewer fund is available in the basic financial statements. The equity joint venture interest in the gas and water utilities are available in Note 7.

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 9. Restricted Equity**

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At June 30, 2021 the City's restricted equity balances are as follows:

**General Fund:**

Debt reserves:

Sales Tax Revenue Bonds, Series 2015	
Reserve account	\$ 80,185
Sales Tax Revenue Bonds, Series 2018	
Reserve account	<u>11,285</u>
Total general fund debt reserves	<u>\$ 91,470</u>

Community outreach	<u>\$ 2,608</u>
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Class C road funds	<u>\$ 14,160</u>
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**Sewer Fund:**

Debt reserves:

Sewer bonds - Series 2000	
Reserve Fund A	<u>\$ 80,000</u>
Total sewer debt reserves	<u>\$ 80,000</u>

Capital outlay - impact fees	<u>\$ 304,644</u>
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**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 10. Interfund Balances and Transfers**

Interfund balances at June 30, 2021 are as follows:

		Due From	
		Internal Service Funds	Total
Due To	General Fund	371,459	371,459
	Total	\$ 371,459	\$ 371,459

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2021 are as follows:

		Transfers In	
		Capital Project Fund	Total
Transfers Out	General Fund	\$ 14,983	\$ 14,983
	Total	\$ 14,983	\$ 14,983

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and (2) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 11. Contingencies**

The City is involved with a matter of litigation. It is deemed possible but not necessarily probable that the City may experience negative financial impacts as a result of the litigation; however, the effects of any pending or threatened litigation are not measureable and cannot be estimated as of the date of the financial statements.

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**NOTE 12. Current Bond Refunding**

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In the year ended June 30, 2021, the City issued \$1,701,000 of sewer revenue refunding bonds (Series 2021) in connection with refunding parity sewer revenue bonds (Series 2000B and 2000C). As a result, the refunded bonds are considered to be defeased as of June 30, 2021. The transaction resulted in an economic gain of \$261,145 and a reduction of \$524,553 in future debt service payments.

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**NOTE 13. Restatement Adjustment**

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Prior to fiscal year 2021, the City accounted for its fiber system activities in an enterprise fund (business-type activities). Beginning in fiscal year 2021, the fiber system activities are included in the general fund (governmental activities). A restatement adjustment of \$3,979 is included in these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HILDALE CITY, UTAH**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 276,800	\$ 553,600	\$ 254,990	\$ (298,610)
Sales and use taxes	298,700	607,400	590,219	(17,181)
Franchise taxes	89,300	178,600	84,618	(93,982)
Licenses and permits	20,000	40,000	32,260	(7,740)
Intergovernmental revenue	583,100	1,598,200	431,833	(1,166,367)
Charges for services	96,000	210,800	93,770	(117,030)
Lease revenues	88,600	177,200	54,897	(122,303)
Other revenues	210,000	420,000	64,442	(355,558)
Interest income	6,800	13,600	3,007	(10,593)
Total revenues	<u>1,669,300</u>	<u>3,799,400</u>	<u>1,610,036</u>	<u>(2,189,364)</u>
<b>Expenditures</b>				
Current:				
General government	803,500	1,631,600	713,280	918,320
Public safety	333,200	920,200	334,298	585,902
Highways and streets/Public works	264,400	744,800	147,991	596,809
Parks, recreation and outreach	138,000	276,000	90,798	185,202
Debt service	231,000	462,000	122,696	339,304
Total expenditures	<u>1,770,100</u>	<u>4,034,600</u>	<u>1,409,063</u>	<u>2,625,537</u>
Excess (deficiency) of revenues over expenditures	<u>(100,800)</u>	<u>(235,200)</u>	<u>200,973</u>	<u>436,173</u>
<b>Other financing sources (uses)</b>				
Transfers in	100,000	200,000	-	(200,000)
Transfers out	<u>(187,600)</u>	<u>(347,600)</u>	<u>(14,983)</u>	<u>332,617</u>
Total other financing sources (uses)	<u>(87,600)</u>	<u>(147,600)</u>	<u>(14,983)</u>	<u>132,617</u>
Net change in fund balance	(188,400)	(382,800)	185,990	568,790
Fund balance, beginning of year	671,127	671,127	671,127	-
Restatement adjustment	<u>-</u>	<u>-</u>	<u>3,979</u>	<u>3,979</u>
<b>Fund balance, end of year</b>	<u>\$ 482,727</u>	<u>\$ 288,327</u>	<u>\$ 861,096</u>	<u>\$ 572,769</u>

## **COMBINING STATEMENTS**



## INTERNAL SERVICE FUNDS

Internal service funds are used to account for services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

The **Risk Management Fund** accounts for the activities of litigation defense relating primarily to the joint utility systems of Hildale City and Colorado City.

The **Judgment Resolution Fund** accounts for the activities associated with resolving a federal court judgment requiring specific monitoring, consulting, training relating primarily to the joint utility systems of Hildale City and Colorado City.

The **Administration Fund** accounts for the activities of basic shared expenses relating only to the joint utility systems of Hildale City and Colorado City.

**HILDALE CITY**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
**June 30, 2021**

	<u>Risk Management</u>	<u>Judgment Resolution</u>	<u>Administration</u>	<u>Total Internal Service Funds</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Total current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent assets:				
Capital assets:				
Buildings	-	-	456,806	456,806
Machinery and equipment	-	-	198,291	198,291
Less: accumulated depreciation	-	-	(213,186)	(213,186)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>441,911</u>	<u>441,911</u>
Total assets	<u>-</u>	<u>-</u>	<u>441,911</u>	<u>441,911</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	-	40,626	40,626
Due to other funds	-	-	371,459	371,459
Capital leases payable - current	-	-	14,638	14,638
Total current liabilities	<u>-</u>	<u>-</u>	<u>426,723</u>	<u>426,723</u>
Noncurrent liabilities:				
Capital leases payable	-	-	15,188	15,188
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>15,188</u>	<u>15,188</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>441,911</u>	<u>441,911</u>
<b>Net position</b>				
Net investment in capital assets	-	-	412,085	412,085
Unrestricted	-	-	(412,085)	(412,085)
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HILDALE CITY**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2021**

	<u>Risk Management</u>	<u>Judgment Resolution</u>	<u>Administration</u>	<u>Total Internal Service Funds</u>
<b>Operating revenues</b>				
Charges for services:				
Risk management	\$ 2,570	\$ -	\$ -	\$ 2,570
Judgment resolution	-	71,229	-	71,229
Administration	-	-	1,196,342	1,196,342
Total operating revenues	<u>2,570</u>	<u>71,229</u>	<u>1,196,342</u>	<u>1,270,141</u>
<b>Operating expenses</b>				
Personnel expenses	-	21,000	790,933	811,933
Office expenses and travel	-	-	57,239	57,239
Services, supplies and other	-	-	94,862	94,862
Utilities and occupancy	-	-	19,991	19,991
Insurance	-	-	105,776	105,776
Professional fees (non-legal)	-	50,229	39,803	90,032
Legal expenses and settlements	2,570	-	-	2,570
Equipment rent	-	-	60,446	60,446
Depreciation	-	-	25,644	25,644
Total operating expenses	<u>2,570</u>	<u>71,229</u>	<u>1,194,694</u>	<u>1,268,493</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>1,648</u>	<u>1,648</u>
<b>Nonoperating revenues (expenses)</b>				
Interest expense	-	-	(1,648)	(1,648)
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(1,648)</u>	<u>(1,648)</u>
<b>Change in net position</b>	-	-	-	-
Total net position, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total net position, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HILDALE CITY**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2021**

	Risk Management	Judgment Resolution	Administration	Total Internal Service Funds
<b>Cash flows from operating activities</b>				
Receipts from interfund charges for services	\$ 2,570	\$ 71,229	\$ 1,196,342	\$ 1,270,141
Payments to suppliers and service providers	(2,570)	(54,888)	(393,810)	(451,268)
Payments to employees	-	(21,000)	(790,933)	(811,933)
Cash flows from operating activities	-	(4,659)	11,599	6,940
<b>Cash flows from non-capital financing activities</b>				
Transfers from (to) other funds	-	-	4,159	4,159
Cash flows from non-capital financing activities	-	-	4,159	4,159
<b>Cash flows from capital and related financing activities</b>				
Principal paid on capital debt	-	-	(14,110)	(14,110)
Interest paid	-	-	(1,648)	(1,648)
Cash flows from capital and related financing activities	-	-	(15,758)	(15,758)
<b>Net change in cash and cash equivalents</b>	-	(4,659)	-	(4,659)
Cash and cash equivalents, beginning of year	-	4,659	-	4,659
<b>Cash and cash equivalents, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income to net cash flows from operating activities:				
Operating income (loss)	\$ -	\$ -	\$ 1,648	\$ 1,648
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	-	25,644	25,644
Changes in operating assets and liabilities:				
Increase/(decrease) in accounts payable	-	(4,659)	(15,693)	(20,352)
Net cash flows from operating activities	<u>\$ -</u>	<u>\$ (4,659)</u>	<u>\$ 11,599</u>	<u>\$ 6,940</u>

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**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

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**Independent Auditor’s Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and City Council  
Hildale City, 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 Hildale City, Utah (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated May 26, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing 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 City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies.

- 2014-001. Misstatements and Reconciliations
- 2007-002. Capital and Other Assets—Accounting and Controls
- 2007-004. Segregation of Duties



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, 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 financial statements. 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 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 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.



HintonBurdick, PLLC  
St. George, Utah  
May 26, 2022



**HINTONBURDICK**  
CPAs & ADVISORS

**Independent Auditor's Report on Compliance and  
Report on Internal Control over Compliance  
As Required by the *State Compliance Audit Guide***

Honorable Mayor and City Council  
Hildale City, Utah

**Report on Compliance**

We have audited Hildale City, Utah's compliance with the applicable state 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 for the year ended June 30, 2021.

State compliance requirements were tested for the year ended June 30, 2021 in the following areas:

Budgetary Compliance	Fund Balance
Justice Courts	Restricted Taxes and Related Restricted Revenue
Fraud Risk Assessment	Governmental Fees
Cash Management	Impact Fees
Enterprise Fund Transfers, Reimburse- ments, Loans and Services	

***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 the City's compliance based on our audit of the 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 compliance requirements referred to above that could have a direct and material effect on the City. An audit includes examining, on a test basis, evidence about the City'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 with general state compliance requirements. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on General State Compliance Requirements***

In our opinion, Hildale City, Utah, complied, in all material aspects, with the compliance requirements referred to above for the year ended June 30, 2021.

## ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as items 2021-001, 2020-001, 2019-002 and 2017-001. Our opinion on compliance is not modified with respect to these matters.

## **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 our audit of compliance, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City 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 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 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 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 general 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 general 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.



HintonBurdick, PLLC  
May 26, 2022  
St. George, Utah



**HILDALE CITY, UTAH**  
**Findings and Recommendations**  
**For the Year Ended June 30, 2021**

Honorable Mayor and City Council  
Hildale City, Utah

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit of Hildale City, for the year ended June 30, 2021, we noted several areas needing corrective action for the City to be in compliance with laws and regulations, and we found several circumstances that, if improved, would strengthen the City's accounting system and control over its assets and resources. These items are discussed below for your consideration.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**Material Weaknesses:**

None noted

**Significant Deficiencies:**

2014-001. Misstatements and Reconciliations

**Criteria:** Auditing standards indicate that the identification by the auditor of misstatements in the financial statements may be a deficiency in the City's internal controls.

**Condition:** Multiple significant accounting adjustments to the general ledger were required that were not initially identified by the City's internal control. Furthermore, we noted reconciliations for some general ledger accounts, including certain cash accounts, receivables and payables, and equity classifications, are not being accurately and/or timely performed, which is contributing to the misstatements. We have provided additional details on reconciliation issues in a separate communication to management.

**Cause:** Changes in accounting personnel and/or a lack of formal policies and procedures in certain areas may be the cause for various accounting adjustments. Procedures for year-end adjustments may also continue to need to be revised or improved in order to properly identify certain adjustments.

**Effect:** The City’s financial statements may not have been fairly stated in all material respects without the adjustments. Furthermore, internal financial reports regularly provided to management and the governing body may not be accurate. Regular and complete reconciliations of general ledger accounts provide important safeguards and controls to ensure the proper recording, deposit and disposition of the City’s funds.

**Recommendation:** We recommend that management continue to review and understand the adjustments proposed by the auditor. We also recommend that the City continue to develop a plan to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place. The plan should address the need to perform accurate and timely reconciliations of various general ledger accounts. The City should continue to improve its internal controls to a level where they will at least identify significant misstatements.

2007-002.

Capital and Other Assets—Accounting and Controls

**Criteria:** The City should maintain a complete record of capital asset additions and deletions for each fiscal year. The City should also perform a regular (e.g. annually), physical inventory of capital assets and reconcile it to the City’s capital asset listings. The City should also have policies and procedures in place to track and monitor all significant assets regardless of whether or not the asset meets the City’s capitalization policy threshold.

**Condition:** A complete record of capital asset additions and deletions is not being maintained throughout the year. We also noted that the City did not perform a complete, physical inventory of capital assets during the year under audit or in recent years. The City did identify a number of old, fully depreciated assets that were removed from the City’s capital asset listings. The City does not have adequate policies and procedures to track and monitor capital and other assets (e.g. vehicles, equipment, fuel inventory).

**Cause:** Timing restraints and/or changes in accounting personnel may be the cause for incomplete records and physical inventories of capital assets and insufficient policies and procedures for tracking and monitoring assets. Procedures for year-end reconciliations may also need to be revised or improved in order to properly identify certain capital asset activity.

**Effect:** The City’s financial statements may not have been fairly stated in all material respects without capital asset adjustments. Furthermore, capital asset disposals may not be accounted for in the correct period without performing physical inventories of capital assets. The lack of policies and procedures over the use and tracking of assets may create opportunities for misappropriations, including the misuse of city resources.

**Recommendation:** We recommend that the City do the following:

1. Maintain throughout the year a detail list of capital asset additions and deletions for the fiscal year that shows a description, date of purchase and cost for each item. The list should be maintained for each capital asset general ledger account and should be maintained in such a way as to allow reconciliations to the general ledger. The City should consider using certain accounts (expense or asset, as applicable) for items that management intends to add to its depreciation listing.
2. Conduct complete, year-end physical asset inventories and when practical, tagging of assets with an inventory tag/identification number.
3. Reconcile the year-end physical inventory of capital assets to the depreciation listing and the general ledger control accounts.
4. Establish policies and procedures regarding the use and tracking of capital and other significant assets (e.g. vehicles, equipment, fuel inventory).

2007-004.

Segregation of Duties

**Criteria:** Proper segregation of duties provides important safeguards and controls to ensure the proper recording, deposit and disposition of the City's funds. For a complete and proper segregation of duties within accounting functions, no one person should have duties in more than one of the following areas: custody of assets, recording functions and authorization abilities.

**Condition:** There appears to be a lack of segregation of duties (primarily related to cash receipting duties) with certain city accounting personnel. The City has some mitigating controls in place such that this is not deemed to be a material weakness.

**Cause:** The turnover in and the changes in responsibilities of accounting and administrative personnel in recent years has caused, in general, an increased lack of segregation of duties and a decrease in mitigating controls. Furthermore, the City often times gives certain duties (or at least the ability to perform certain duties) to multiple personnel, which decreases segregation of duties.

**Effect:** There is a potential for the misuse of assets or the possibility that if fraud were to occur, it would not be detected and corrected in a timely manner.

**Recommendation:** We realize that the size of the City and its administration staff may prohibit a complete and proper segregation of duties within its accounting functions. However, particularly as the City continues to adjust for recent changes in personnel and responsibilities, the City should ensure that the duties of city personnel are adequately segregated. City personnel with cash receipting duties should typically not have significant recording duties. The City should consider decreasing the number of personnel who can perform certain duties. For example, receipting/handling cash (including preparing and making deposits), recording transactions in the system (including making billing adjustments and write-offs), and preparing bank reconciliations.

The City should consider establishing additional mitigating controls such as independent reviews of non-routine journal entries and bad debt adjustments. We also recommend that the City consistently document the independent reviews of reports and statements (e.g. initial/sign journal entries/adjustments, bank reconciliations, credit card statements, etc.).

## **COMPLIANCE AND OTHER MATTERS:**

### **Compliance:**

#### 2021-001. Cash Management—Deposit and Investment Report

**Criteria:** Utah Code requires entities to file the “Deposit and Investment Report Form,” with the Money Management Council (Council) on or before January 31 and July 31 of each year. This report contains information about the deposits and investments of the entity during the preceding six months ending December 31 and June 30, respectively. The amounts reported on the Form should be the bank balances, not book balances.

**Condition:** The June 30, 2021 Deposit and Investment Report Form was submitted containing some incorrect balances. Some book balances may have been listed instead of the required bank balances.

**Cause:** It appears the City was unaware or forgot that bank balances should be used rather than book balances. Furthermore, the City’s controls over the report could be strengthened to ensure it is accurately prepared.

**Effect:** The City is not in compliance with the state requirements.

**Recommendation:** We recommend that the City ensure the bank balances of the deposit and investment accounts are accurately reported on the form. We recommend that someone independent of preparation review the form for accuracy before it is submitted.

#### 2020-001. Fraud Risk Assessment

**Criteria:** The City is required to complete a fraud risk assessment as outlined by the Office of the State Auditor. The assessment must be approved by the chief administrative officer and chief financial officer and presented in a council meeting.

**Condition:** The fraud risk assessment was not completed, approved and presented in a city council meeting in a timely manner.

**Cause:** With this being a relatively new requirement and the recent turnover in city personnel/management, it appears there was a lack of follow up to complete the assessment in a timely manner.

**Effect:** The City is not in compliance with this requirement, which is designed to help measure and reduce the risk of undetected fraud, abuse and noncompliance in local governments.

**Recommendation:** We recommend the City timely complete, approve and present the annual assessment in a city council meeting. The City should consider improving controls in any deficient areas identified by the assessment.

2019-002. Fund Balance—General Fund Maximum

**Criteria:** Utah Code indicates that the maximum fund balance (including committed, assigned and unassigned fund balance) in the City’s general fund may not exceed 35% of the total current fiscal year revenue (excluding transfers in and other financing sources) of the general fund.

**Condition:** Based on the above criteria and the City’s fiscal year 2021 revenues, the City’s fund balance in the general fund is over the state maximum as of June 30, 2021 by approximately \$189,000.

**Cause:** The City’s general fund revenues, including property taxes, can vary significantly from year to year, which makes the budgeting process challenging. It appears the City is trying to maintain sufficient reserves to be able to deal with the volatility of the revenues and the continuing changes facing the community.

**Effect:** The City is not in compliance with state law.

**Recommendation:** We recommend that the City establish procedures that will allow the City to comply with this state requirement.

2017-001. Impact Fees

**Criteria:** Utah Code 11-36a-601 requires the City to prepare and submit an annual impact fee schedule to the state that includes the following:

- 1) The source and amount of all money collected, earned and received during the fiscal year.
- 2) Each expenditure from impact fee funds during the fiscal year.
- 3) An accounting of impact fee funds on hand at the end of the fiscal year, including:
  - a) the year in which the impact fees were received;
  - b) the project from which the funds were collected;
  - c) the capital projects for which the funds are budgeted; and
  - d) the projected schedule for expenditure.

**Condition:** For the year ended June 30, 2021, the City did not timely submit a schedule that accurately included all of the required information.

**Cause:** In years prior to fiscal year 2017, the City spent all impact fees in the year they were received and there were no unspent impact fees at fiscal year-end. Consequently, the City deemed the schedule not applicable for years prior to fiscal year 2017. The City’s schedule does not include all of the required



elements as listed in item 3 above. There were also some uncertainty regarding the activity and balances for fiscal year 2021.

**Effect:** The City is not in compliance with state law.

**Recommendation:** We recommend the City establish additional procedures for preparing and submitting the annual impact fee schedule to ensure that the City is in compliance with state law.

### Responses

Please respond to the above findings and recommendations in letter form for submission to the Office of the State Auditor as required by state law.

This letter is intended solely for the use of the mayor, city council, management and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to each of you who assisted us in this year's audit. We invite you to ask questions of us throughout the year as you feel it necessary and we look forward to a continued pleasant professional relationship.

Sincerely,



HintonBurdick, PLLC  
May 26, 2022