

**HILDALE CITY, UTAH**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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## **Independent Auditor's Report**

The Honorable Mayor and City Council  
Hildale City, Utah

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

#### ***Opinions***

We have audited 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 Hildale City, Utah, as of June 30, 2023, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, in fiscal year 2023, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Hildale City, Utah's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 is the responsibility of management and, 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.

### ***Supplementary 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 combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 February 25, 2024 on our consideration of Hildale City, Utah'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 solely 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 the effectiveness of 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 Hildale City, Utah's internal control over financial reporting and compliance.

*HintonBurdick, PLLC*

St. George, Utah  
February 25, 2024

**HILDALE CITY, UTAH**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- Total net position decreased by \$433,392 for the fiscal year.
- Total governmental expenses exceeded total governmental revenues by \$676,767.
- Total business-type revenues exceeded total business-type expenses by \$243,375, which includes affiliate revenue and expense of \$1,036,076 and \$1,050,444, respectively.
- Total revenues from all sources were \$3,856,208, which includes revenue from affiliates of \$1,036,076.
- The total cost of all city programs was \$4,289,600, which includes expenses from affiliates of \$1,050,444.
- The general fund reported expenditures over revenues (including other financing sources and uses) of \$716,916.
- Actual resources received (including other financing sources) in the general fund were less than the final budget by \$2,229,981, while actual expenditures (including other financing uses) were \$1,642,907 less than the final budget.
- At the end of the fiscal year, unassigned fund balance for the general fund was (\$349,549) or (15.1%) of total general fund expenditures (6.1% when combining unassigned and assigned fund balance).

**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 \$10,071,772 (governmental and business-type activities) as of June 30, 2023 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	
	6/30/2023	6/30/2022	6/30/2023	6/30/2022	6/30/2023	6/30/2022
Current and other assets	\$ 1,857,639	\$ 2,483,518	\$ 1,509,009	\$ 1,517,078	\$ 3,366,648	\$ 4,000,596
Capital assets	4,768,176	4,732,430	3,895,779	3,708,648	8,663,955	8,441,078
Investment in affiliates	-	-	1,847,124	1,861,492	1,847,124	1,861,492
Total assets	6,625,815	7,215,948	7,251,912	7,087,218	13,877,727	14,303,166
Long-term liabilities outstanding	608,000	716,590	1,546,420	1,618,793	2,154,420	2,335,383
Other liabilities	678,033	475,735	84,340	90,647	762,373	566,382
Total liabilities	1,286,033	1,192,325	1,630,760	1,709,440	2,916,793	2,901,765
Deferred inflows of resources	889,522	896,596	-	-	889,522	896,596
Net position:						
Net investment in capital assets	4,160,176	4,015,840	2,298,253	2,098,460	6,458,429	6,114,300
Invested in affiliates	-	-	1,847,124	1,861,492	1,847,124	1,861,492
Restricted	18,605	26,419	1,489,276	1,029,079	1,507,881	1,055,498
Unrestricted	271,479	1,084,768	(13,501)	388,747	257,978	1,473,515
Total net position	\$ 4,450,260	\$ 5,127,027	\$ 5,621,152	\$ 5,377,778	\$ 10,071,412	\$ 10,504,805

**Governmental Activities**

The cost of all governmental activities this year was \$2,203,705. As shown on the statement of changes in net position below, \$235,567 of this cost was paid for by those who directly benefited from the programs and \$602,689 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 \$838,256. General revenues totaled \$688,682.

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.

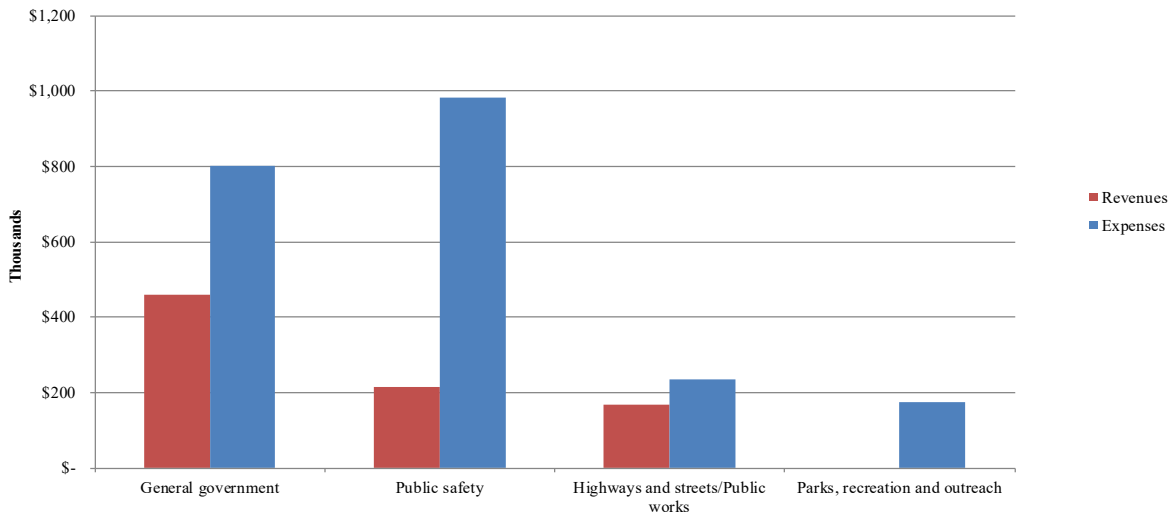
**Hildale City  
Changes in Net Position**

	Governmental activities		Business-type activities		Totals	
	6/30/2023	6/30/2022	6/30/2023	6/30/2022	6/30/2023	6/30/2022
Revenues:						
Program revenues:						
Charges for services	\$ 235,567	\$ 278,290	\$ 997,587	\$ 957,772	\$ 1,233,154	\$ 1,236,062
Operating grants and contributions	267,054	271,334	-	-	267,054	271,334
Capital grants and contributions	335,635	361,995	235,305	349,315	570,940	711,310
General revenues:						
Taxes	662,548	657,006	-	-	662,548	657,006
Other revenue/(expense)	26,134	16,489	60,302	7,313	86,436	23,802
Affiliate revenue	-	-	1,036,076	928,965	1,036,076	928,965
Total revenues	1,526,938	1,585,114	2,329,270	2,243,365	3,856,208	3,828,479
Expenses:						
General government	799,751	733,791	-	-	799,751	733,791
Public safety	983,431	396,096	-	-	983,431	396,096
Highways and streets/Public works	233,294	297,341	-	-	233,294	297,341
Parks and recreation	172,980	129,121	-	-	172,980	129,121
Interest on long-term debt	14,249	16,221	42,146	43,111	56,395	59,332
Sewer	-	-	993,305	1,005,094	993,305	1,005,094
Fiber system	-	-	-	-	-	-
Affiliate expenses	-	-	1,050,444	755,877	1,050,444	755,877
Total expenses	2,203,705	1,572,570	2,085,895	1,804,082	4,289,600	3,376,652
Increase (decrease) in net position	(676,767)	12,544	243,375	439,283	(433,392)	451,827
Net position, beginning	5,127,027	5,114,483	5,377,777	4,938,495	10,504,804	10,052,978
Net position, ending	\$ 4,450,260	\$ 5,127,027	\$ 5,621,152	\$ 5,377,778	\$ 10,071,412	\$ 10,504,805

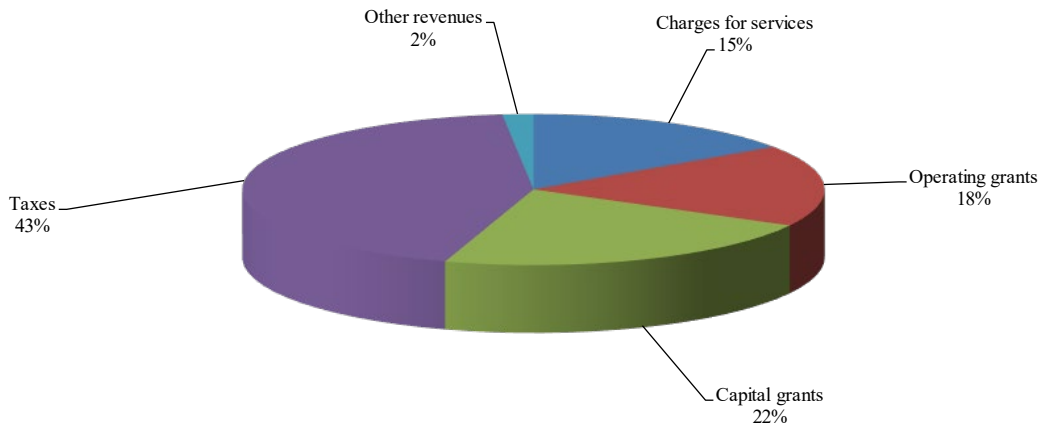
Total resources available during the year to finance governmental activities were \$6,653,965, consisting of net position at July 1, 2022 of \$5,127,027, program revenues of \$838,256 and general revenues of \$688,682. Total governmental activity expenses during the year were \$2,203,705; thus governmental net position decreased by \$676,767 to \$4,450,620.

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)



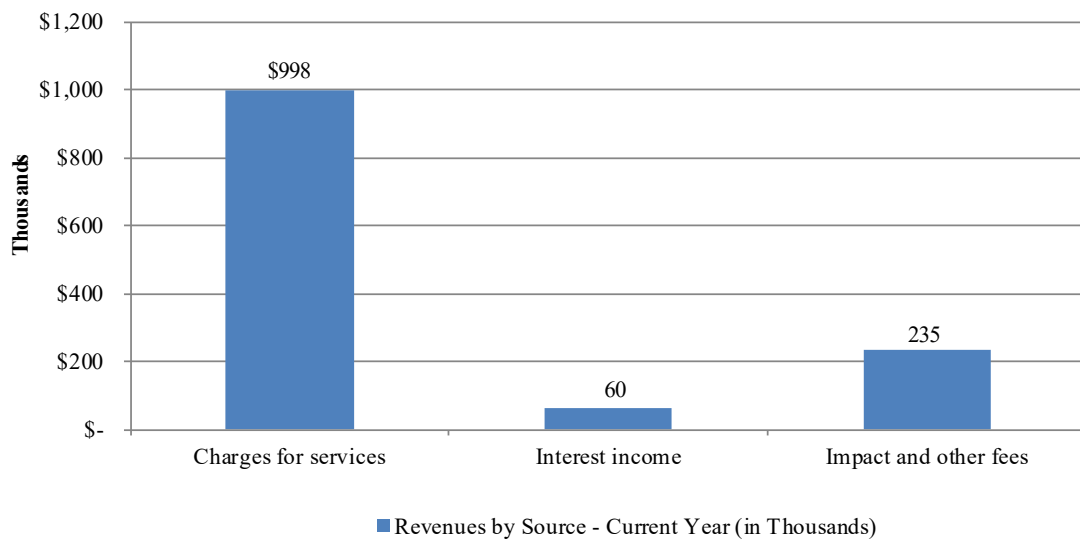
### Revenue By Source - Governmental Activities



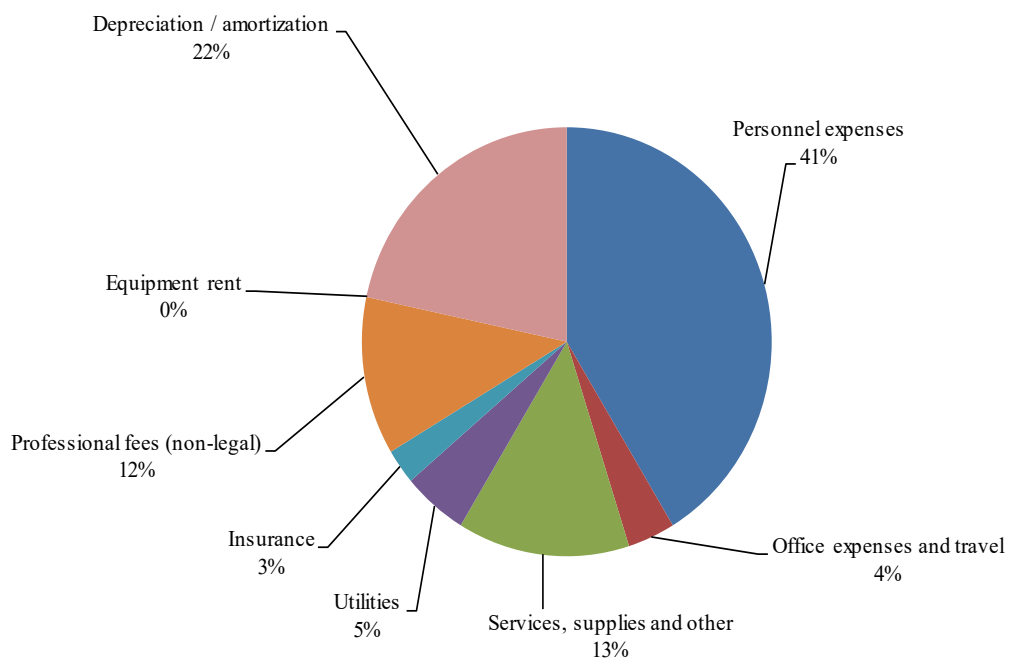
## Business-Type Activities

Net position of the business-type activities at June 30, 2023, as reflected in the statement of net position, is \$5,621,152. The cost of providing all proprietary (business-type) activities this year was \$2,085,895, which includes \$1,050,444 of affiliate expenses. As shown in the statement of changes in net position, the amount paid by users of the system was \$997,587 (excluding affiliates). Interest earnings were \$60,302, impact fees, capital contributions and other nonoperating revenues were \$235,305 and revenues from affiliates were \$1,036,076. Net position increased by \$243,375.

**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 (\$117,338), a decrease of \$716,916 from the prior fiscal year. All of the balance constitutes either assigned or unassigned fund balance except for \$5,130 in non-spendable net position, and \$18,605 of restricted debt reserves. All of the fund balance \$417,504 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 decreased from \$570,147 in the prior fiscal year to (\$141,073) in the current fiscal year.

**Proprietary funds:** Total net position of the proprietary funds were a combined \$5,621,152, consisting of \$2,298,253 net investment in capital assets, \$1,847,124 invested in affiliates, \$724,435 restricted for debt service, \$764,841 restricted for capital projects – impact fees and a deficit of \$13,501 in unrestricted net position. The combined change in net position was an increase of \$243,375, consisting of a \$257,743 increase in the sewer fund and a \$14,368 decrease in affiliates.

### **General Fund Budgetary Highlights**

The City budgeted for a net decrease in fund balance of \$56,700, which was less than the actual net decrease of \$716,916. The final appropriations for the general fund at year-end were \$1,642,907 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 \$2,229,981 mainly due to intergovernmental revenue and tax revenues.

## **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 2023, net capital assets of the government activities totaled \$4,768,176 and the net capital assets of the business-type activities totaled \$3,895,780 (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 \$608,000 in governmental-type debt and \$1,539,013 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 \$179,765 (excluding affiliates).

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

In considering the City's budget for fiscal year 2023/2024, 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 a lower level as compared to fiscal year 2022/2023.

## **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, 2023**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,474	\$ 1,752,584	\$ 1,758,058
Receivables, net	1,456,971	126,717	1,583,688
Internal balances	371,459	(371,459)	-
Prepaid items	5,130	1,167	6,297
Restricted cash and cash equivalents	18,605	-	18,605
Investment in affiliates	-	1,847,124	1,847,124
Capital assets (net of accumulated depreciation):			
Rou land	-	52,662	52,662
Land	38,707	364,661	403,368
Construction in progress	236,320	261,422	497,742
Buildings	658,892	394,097	1,052,989
Improvements other than buildings	1,480,919	2,510,349	3,991,268
Machinery and equipment	104,747	30,008	134,755
Office furniture and equipment	3,077	-	3,077
Automobiles and trucks	240,183	282,580	522,763
Infrastructure	2,005,331	-	2,005,331
Total assets	<u>6,625,815</u>	<u>7,251,912</u>	<u>13,877,727</u>
<b>Liabilities</b>			
Accounts payable and other accrued liabilities	240,973	84,340	325,313
Unearned revenue	426,978	-	426,978
Noncurrent liabilities:			
Due within one year	95,000	115,402	210,402
Due in more than one year	513,000	1,431,018	1,944,018
Total liabilities	<u>1,286,033</u>	<u>1,630,760</u>	<u>2,916,793</u>
<b>Deferred inflows of resources</b>			
Deferred revenue - property taxes	110,242	-	110,242
Deferred revenue - leases receivable	779,280	-	779,280
Total deferred inflows of resources	<u>889,522</u>	<u>-</u>	<u>889,522</u>
<b>Net position</b>			
Net investment in capital assets	4,160,176	2,298,253	6,458,429
Invested in affiliates	-	1,847,124	1,847,124
Restricted for:			
Debt service	18,605	724,435	743,040
Capital outlay	-	764,841	764,841
Unrestricted	271,479	(13,501)	257,978
Total net position	<u>\$ 4,450,260</u>	<u>\$ 5,621,152</u>	<u>\$ 10,071,412</u>

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

**HILDALE CITY, UTAH**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

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	\$ 799,751	\$ 131,454	\$ 171,372	\$ 155,837	\$ (341,088)	\$ -	\$ (341,088)
Public safety	983,431	104,113	1,941	107,149	(770,228)	-	(770,228)
Highways and streets/Public works	233,294	-	93,741	72,649	(66,904)	-	(66,904)
Parks, recreation and outreach	172,980	-	-	-	(172,980)	-	(172,980)
Interest on long-term debt	14,249	-	-	-	(14,249)	-	(14,249)
Total governmental activities	<u>2,203,705</u>	<u>235,567</u>	<u>267,054</u>	<u>335,635</u>	<u>(1,365,449)</u>	<u>-</u>	<u>(1,365,449)</u>
Business-type activities:							
Sewer	1,035,451	997,587	-	235,305	-	197,441	197,441
Investment in affiliates	1,050,444	993,113	-	42,963	-	(14,368)	(14,368)
Total business-type activities	<u>2,085,895</u>	<u>1,990,700</u>	<u>-</u>	<u>278,268</u>	<u>-</u>	<u>183,073</u>	<u>183,073</u>
Total primary government	<u>\$ 4,289,600</u>	<u>\$ 2,226,267</u>	<u>\$ 267,054</u>	<u>\$ 613,903</u>	<u>(1,365,449)</u>	<u>183,073</u>	<u>(1,182,376)</u>
General Revenues:							
Taxes:							
Property taxes levied for general purposes					184,152	-	184,152
Sales and use taxes					365,598	-	365,598
Franchise taxes					112,798	-	112,798
Unrestricted investment earnings					26,134	60,302	86,436
Total general revenues					<u>688,682</u>	<u>60,302</u>	<u>748,984</u>
Change in net position					<u>(676,767)</u>	<u>243,375</u>	<u>(433,392)</u>
Net position - beginning					<u>5,127,027</u>	<u>5,377,777</u>	<u>10,504,804</u>
Net position - ending					<u>\$ 4,450,260</u>	<u>\$ 5,621,152</u>	<u>\$ 10,071,412</u>

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

**HILDALE CITY, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 5,474	\$ 5,474
Restricted cash and cash equivalents	18,605	-	18,605
Receivables, net of allowance			
Services	71,518	-	71,518
Leases	779,280	-	779,280
Property taxes - subsequent year	110,242	-	110,242
Due from other governments	495,931	-	495,931
Due from other funds	371,459	412,030	783,489
Prepaid expense	5,130	-	5,130
<b>Total assets</b>	<b>\$ 1,852,165</b>	<b>\$ 417,504</b>	<b>\$ 2,269,669</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>			
Liabilities:			
Accounts payable	\$ 164,819	\$ -	\$ 164,819
Accrued liabilities	76,154	-	76,154
Due to other funds	412,030	-	412,030
Unearned revenue	426,978	-	426,978
<b>Total liabilities</b>	<b>1,079,981</b>	<b>-</b>	<b>1,079,981</b>
Deferred inflows of resources:			
Deferred revenue - property taxes	110,242	-	110,242
Deferred revenue - leases receivable	779,280	-	779,280
<b>Total deferred inflows of resources</b>	<b>889,522</b>	<b>-</b>	<b>889,522</b>
Fund balances:			
Nonspendable	5,130	-	5,130
Restricted:			
Debt reserves	18,605	-	18,605
Assigned:			
Subsequent year's budget: appropriation of fund balance	208,476	-	208,476
Repair and replacement reserves:			
Court	-	1,200	1,200
Fire	-	11,550	11,550
Building	-	7,200	7,200
Streets	-	33,411	33,411
Industrial Park improvements	-	364,143	364,143
Unassigned	(349,549)	-	(349,549)
<b>Total fund balances</b>	<b>(117,338)</b>	<b>417,504</b>	<b>300,166</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,852,165</b>	<b>\$ 417,504</b>	<b>\$ 2,269,669</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, 2023**

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

Total fund balances - total governmental funds		\$ 300,166
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Cost of capital assets	\$ 8,219,960	
Accumulated depreciation	<u>(3,451,784)</u>	4,768,176
<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	(608,000)	
Accrued interest payable	<u>(10,082)</u>	<u>(618,082)</u>
Net position of governmental activities		<u>\$ 4,450,260</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, 2023**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 184,153	\$ -	\$ 184,153
Sales and use taxes	365,598	-	365,598
Franchise taxes	112,798	-	112,798
Licenses and permits	54,151	-	54,151
Intergovernmental revenue	602,689	-	602,689
Charges for services	56,317	-	56,317
Lease revenues	50,523	-	50,523
Other revenues	74,575	-	74,575
Interest income	26,134	-	26,134
Total revenues	<u>1,526,938</u>	<u>-</u>	<u>1,526,938</u>
<b>Expenditures</b>			
Current:			
General government	813,596	-	813,596
Public safety	873,214	-	873,214
Highways and streets/Public works	131,161	-	131,161
Parks, recreation and outreach	165,847	-	165,847
Debt service	123,617	-	123,617
Capital outlay	203,718	37,666	241,384
Total expenditures	<u>2,311,153</u>	<u>37,666</u>	<u>2,348,819</u>
Excess (deficiency) of revenues over expenditures	<u>(784,215)</u>	<u>(37,666)</u>	<u>(821,881)</u>
<b>Other financing sources (uses)</b>			
Transfers in	67,299	-	67,299
Transfers out	-	(67,299)	(67,299)
Total financing sources (uses)	<u>67,299</u>	<u>(67,299)</u>	<u>-</u>
Net change in fund balance	(716,916)	(104,965)	(821,881)
Fund balance, beginning of year	599,578	522,469	1,122,047
<b>Fund balance, end of year</b>	<u>\$ (117,338)</u>	<u>\$ 417,504</u>	<u>\$ 300,166</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, 2023**

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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		\$ (821,881)
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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.

	\$ 367,798	
Capital outlays		
Depreciation expense	<u>(332,052)</u>	35,746

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.

	<u>108,590</u>	108,590
Principal repayments		

Change in net position of governmental activities		<u>\$ (676,767)</u>
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The accompanying notes are an integral part of the financial statements.

**HILDALE CITY, UTAH**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2023**

	Business-type Activities				Total Business-type Activities
	Sewer	Affiliates	Total Enterprise Funds	Internal Service Funds	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 1,722,501	\$ -	\$ 1,722,501	\$ 30,083	\$ 1,752,584
Receivables, net of allowance	124,383	-	124,383	2,334	126,717
Prepaid items	-	-	-	1,167	1,167
Total current assets	<u>1,846,884</u>	<u>-</u>	<u>1,846,884</u>	<u>33,584</u>	<u>1,880,468</u>
Noncurrent assets:					
Investment in affiliates	-	1,847,124	1,847,124	-	1,847,124
Capital assets:					
Rou land	58,513	-	58,513	-	58,513
Land	364,661	-	364,661	-	364,661
Construction in progress	261,422	-	261,422	-	261,422
Buildings	1,051,028	-	1,051,028	456,806	1,507,834
Improvements other than buildings	6,939,918	-	6,939,918	-	6,939,918
Automobiles and trucks	866,285	-	866,285	27,123	893,408
Machinery and equipment	135,718	-	135,718	216,143	351,861
Less: accumulated depreciation	(6,187,445)	-	(6,187,445)	(294,393)	(6,481,838)
Total noncurrent assets	<u>3,490,100</u>	<u>1,847,124</u>	<u>5,337,224</u>	<u>405,679</u>	<u>5,742,903</u>
Total assets	<u>5,336,984</u>	<u>1,847,124</u>	<u>7,184,108</u>	<u>439,263</u>	<u>7,623,371</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	16,536	-	16,536	67,804	84,340
Due to other funds	-	-	-	371,459	371,459
Compensated absences - current	2,963	-	2,963	-	2,963
Leases payable - current	4,439	-	4,439	-	4,439
Bonds payable - current	108,000	-	108,000	-	108,000
Total current liabilities	<u>131,938</u>	<u>-</u>	<u>131,938</u>	<u>439,263</u>	<u>571,201</u>
Noncurrent liabilities:					
Compensated absences	4,444	-	4,444	-	4,444
Leases payable - land	46,574	-	46,574	-	46,574
Bonds payable	1,380,000	-	1,380,000	-	1,380,000
Total noncurrent liabilities	<u>1,431,018</u>	<u>-</u>	<u>1,431,018</u>	<u>-</u>	<u>1,431,018</u>
Total liabilities	<u>1,562,956</u>	<u>-</u>	<u>1,562,956</u>	<u>439,263</u>	<u>2,002,219</u>
<b>Net position</b>					
Net investment in capital assets	1,892,574	-	1,892,574	405,679	2,298,253
Invested in affiliates	-	1,847,124	1,847,124	-	1,847,124
Restricted:					
Debt reserves	724,435	-	724,435	-	724,435
Capital outlay - impact fees	764,841	-	764,841	-	764,841
Unrestricted	392,178	-	392,178	(405,679)	(13,501)
Total net position	<u>\$ 3,774,028</u>	<u>\$ 1,847,124</u>	<u>\$ 5,621,152</u>	<u>\$ -</u>	<u>\$ 5,621,152</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, 2023**

	Business-type Activities			
	Sewer	Affiliates	Total Enterprise Funds	Internal Service Funds
<b>Operating revenues</b>				
Charges for services	\$ 997,587	\$ -	\$ 997,587	\$ 1,632,533
Total operating revenues	997,587	-	997,587	1,632,533
<b>Operating expenses</b>				
Personnel expenses	410,691	-	410,691	925,898
Office expenses and travel	37,157	-	37,157	82,546
Services, supplies and other	134,796	-	134,796	170,834
Utilities and occupancy	50,863	-	50,863	28,696
Insurance	26,364	-	26,364	60,764
Professional fees	118,391	-	118,391	330,011
Equipment rent	-	-	-	-
Depreciation	215,043	-	215,043	28,559
Total operating expenses	993,305	-	993,305	1,627,308
Operating income (loss)	4,282	-	4,282	5,225
<b>Nonoperating revenues (expenses)</b>				
Interest income	60,302	-	60,302	-
Impact fees	224,525	-	224,525	-
Other revenues	1,900	-	1,900	-
Interest expense and fiscal charges	(42,146)	-	(42,146)	(5,225)
Net income (loss) from affiliates	-	(14,368)	(14,368)	-
Total nonoperating revenues (expenses)	244,581	(14,368)	230,213	(5,225)
Income (loss) before capital contributions and transfers	248,863	(14,368)	234,495	-
Capital contributions	8,880	-	8,880	-
<b>Change in net position</b>	257,743	(14,368)	243,375	-
Total net position, beginning of year	3,516,285	1,861,492	5,377,777	-
<b>Total net position, end of year</b>	<u>\$ 3,774,028</u>	<u>\$ 1,847,124</u>	<u>\$ 5,621,152</u>	<u>\$ -</u>

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, 2023**

	Business-type Activities		
	Sewer	Internal Service Funds	Combined Total (Memorandum Only)
<b>Cash flows from operating activities</b>			
Receipts from customers, service fees	\$ 990,535	\$ -	\$ 990,535
Receipts from interfund charges for services	-	1,632,533	1,632,533
Payments to suppliers and service providers	(80,090)	(684,626)	(764,716)
Payments to employees	(9,620)	(925,898)	(935,518)
Payments for interfund charges for services	(682,618)	-	(682,618)
Cash flows from operating activities	<u>218,207</u>	<u>22,009</u>	<u>240,216</u>
<b>Cash flows from capital and related financing activities</b>			
Impact fees	224,525	-	224,525
Other revenues	1,900	-	1,900
Acquisition and construction of capital assets	(412,882)	(17,852)	(430,734)
Principal paid on capital debt	(55,987)	(15,188)	(71,175)
Capital contributions	8,880	-	8,880
Interest paid	(42,146)	(5,225)	(47,371)
Cash flows from capital and related financing activities	<u>(275,710)</u>	<u>(38,265)</u>	<u>(313,975)</u>
<b>Cash flows from investing activities</b>			
Interest received	60,302	-	60,302
<b>Net change in cash and cash equivalents</b>	2,799	(16,256)	(13,457)
Cash and cash equivalents, beginning of year, including restricted cash	<u>1,719,702</u>	<u>46,339</u>	<u>1,766,041</u>
<b>Cash and cash equivalents, end of year, including restricted cash</b>	<u>\$ 1,722,501</u>	<u>\$ 30,083</u>	<u>\$ 1,752,584</u>
Reconciliation of operating income to net cash flows from operating activities:			
Operating income (loss)	\$ 4,282	\$ 5,225	\$ 9,507
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	215,043	28,559	243,602
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	(7,052)	(2,334)	(9,386)
(Increase)/decrease in prepaid items	-	3,998	3,998
Increase/(decrease) in accounts payable	7,132	(13,439)	(6,307)
Increase/(decrease) in compensated absences	(1,198)	-	(1,198)
Net cash flows from operating activities	<u>\$ 218,207</u>	<u>\$ 22,009</u>	<u>\$ 240,216</u>

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

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

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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 non-fiduciary 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 non-exchange 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 discreetly 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 Department) and the Gas Distribution Systems, Operations and Maintenance Agreement (the Gas Department). 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, 2023**

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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 non-major 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, 2023**

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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.

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, 2023**

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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, 2023 are \$1,933 and \$4,450, 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, 2023**

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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 two types of items that qualify 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. The governmental funds also report deferred revenues from leases receivable. These amounts are deferred and recognized in the period when the leased assets are used and the amounts are earned.

***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).

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

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

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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.

**Leases**

Lessee: Hildale City is a lessee for a noncancellable lease of land. Hildale City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the [Entity Name] generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

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**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 measurable and cannot be reasonably estimated. The delinquent amounts may be material.

***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.

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

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***Proprietary Funds Operating and Non-operating Revenues and Expenses***

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating 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.

**New Pronouncements**

For the year ended June 30, 2023, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The City had no SBITAs during the year ended June 30, 2023 that required reporting under GASB statement No. 96.

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

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 16.

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.

**NOTE 3. Deposits and Investments**

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	\$	3,461,625
Cash in bank		(9,638)
Less amounts to Hildale and Colorado City Joint Utilities		<u>(1,676,124)</u>
Total	\$	<u><u>1,775,863</u></u>

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

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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	\$ 1,775,863
Cash on hand	800
Total	<u>\$ 1,776,663</u>

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

Cash and cash equivalents	\$ 1,758,058
Restricted cash and cash equivalents	18,605
	<u>\$ 1,776,663</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, 2023, \$194,952 of the City's central treasury's bank balance of \$444,952 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, 2023**

**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, 2023 the City had the following investments, ratings and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
State of Utah Public Treasurer's Investment Fund	\$ 3,461,625	N/A	120.3
Total Fair Value	<u>\$ 3,461,625</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, 2023**

**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 6/30/2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2023</b>
Capital assets, not being depreciated:				
Land	\$ 38,707	\$ -	\$ -	\$ 38,707
Construction in progress	521,447	241,384	(526,511)	236,320
Total capital assets, not being depreciated	<u>560,154</u>	<u>241,384</u>	<u>(526,511)</u>	<u>275,027</u>
Capital assets, being depreciated:				
Buildings	955,104	-	-	955,104
Improvements other than buildings	1,871,474	37,666	-	1,909,140
Machinery and equipment	815,882	67,217	-	883,099
Office furniture and equipment	23,930	-	-	23,930
Automobiles and trucks	1,521,231	59,197	-	1,580,428
Infrastructure	2,104,387	488,845	-	2,593,232
Total capital assets, being depreciated	<u>7,292,008</u>	<u>652,925</u>	<u>-</u>	<u>7,944,933</u>
Less accumulated depreciation for:				
Buildings	(271,967)	(24,245)	-	(296,212)
Improvements other than buildings	(345,804)	(82,417)	-	(428,221)
Machinery and equipment	(19,433)	(1,420)	-	(20,853)
Office furniture and equipment	(746,303)	(32,049)	-	(778,352)
Automobiles and trucks	(1,234,570)	(105,675)	-	(1,340,245)
Infrastructure	(501,655)	(86,246)	-	(587,901)
Total accumulated depreciation	<u>(3,119,732)</u>	<u>(332,052)</u>	<u>-</u>	<u>(3,451,784)</u>
Total capital assets, being depreciated, net	<u>4,172,276</u>	<u>320,873</u>	<u>-</u>	<u>4,493,149</u>
Governmental activities capital assets, net	<u>\$ 4,732,430</u>	<u>\$ 562,257</u>	<u>\$ (526,511)</u>	<u>\$ 4,768,176</u>

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

<b>Governmental activities:</b>	
General government	\$ 53,372
Public safety	110,217
Highways and streets/Public works	161,330
Parks and recreation	7,133
Total depreciation expense - governmental activities	<u>\$ 332,052</u>



**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

**NOTE 4. Capital Assets, Continued**

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

<b>Business-type activities:</b>	<b>Balance 6/30/2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2023</b>
Capital assets not being depreciated:				
Land	\$ 364,661	\$ -	\$ -	\$ 364,661
Rou asset - land	-	58,513	-	58,513
Construction in progress	22,046	267,081	(27,705)	261,422
Total capital assets, not being depreciated	<u>386,707</u>	<u>325,594</u>	<u>(27,705)</u>	<u>684,596</u>
Capital assets being depreciated:				
Buildings	1,507,834	-	-	1,507,834
Sewer treatment plant and system improvements	6,912,214	27,705	-	6,939,919
Machinery and equipment	334,009	17,852	-	351,861
Automobiles and trucks	806,120	87,288	-	893,408
Total capital assets, being depreciated	<u>9,560,177</u>	<u>132,845</u>	<u>-</u>	<u>9,693,022</u>
Less accumulated depreciation for:				
Rou asset - land	-	(5,851)	-	(5,851)
Buildings	(1,099,963)	(13,774)	-	(1,113,737)
Sewer treatment plant and system improvements	(4,288,736)	(140,833)	-	(4,429,569)
Machinery and equipment	(306,238)	(15,615)	-	(321,853)
Automobiles and trucks	(543,299)	(67,529)	-	(610,828)
Total accumulated depreciation	<u>(6,238,236)</u>	<u>(243,602)</u>	<u>-</u>	<u>(6,481,838)</u>
Total capital assets, being depreciated, net	<u>3,321,941</u>	<u>(110,757)</u>	<u>-</u>	<u>3,211,184</u>
Business-type activities capital assets, net	<u>\$ 3,708,648</u>	<u>\$ 214,837</u>	<u>\$ (27,705)</u>	<u>\$ 3,895,780</u>

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**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

**NOTE 5. Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2023:

	Balance 6/30/2022	Additions	Retirements	Balance 6/30/2023	Current Portion
<b>Business-type activities:</b>					
Direct placements and borrowings:					
Sewer Revenue Refunding Bonds, Series 2021	\$ 1,595,000	\$ -	\$ 107,000	\$ 1,488,000	\$ 108,000
Lease Liability - Land	-	58,513	7,500	51,013	4,439
Notes payable	15,188	-	15,188	-	-
Compensated absences	8,605	5,163	6,361	7,407	2,963
Total business-type activities	<u>1,618,793</u>	<u>63,676</u>	<u>136,049</u>	<u>1,546,420</u>	<u>115,402</u>
<b>Governmental activities:</b>					
Direct placements and borrowings:					
Sales Tax Revenue Bonds, Series 2015	307,000	-	75,000	232,000	76,000
Sales Tax Revenue Bonds, Series 2018	395,000	-	19,000	376,000	19,000
Notes payable	14,590	-	14,590	-	-
Total governmental activities	<u>716,590</u>	<u>-</u>	<u>108,590</u>	<u>608,000</u>	<u>95,000</u>
Total long-term liabilities	<u>\$ 2,335,383</u>	<u>\$ 63,676</u>	<u>\$ 244,639</u>	<u>\$ 2,154,420</u>	<u>\$ 210,402</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 \$1,595,000 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 \$702,000 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, 2023**

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

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The City has a credit account with a financial institution with a maximum limit of \$25,000 and an unused amount of \$25,000 as of June 30, 2023.

Long-term liabilities consist of the following at June 30, 2023:

**Revenue bonds:**

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.	\$ 1,488,000
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.	232,000
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>376,000</u>
Total revenue bonds payable	2,096,000
<b>Leases</b>	51,013
<b>Compensated absences</b>	<u>7,407</u>
Total long-term liabilities	<u>2,154,420</u>
Less current portion:	
Business-type activities	(115,402)
Governmental activities	<u>(95,000)</u>
Total long-term liabilities, net of current portion	<u><u>\$ 1,944,018</u></u>

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

**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
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	115,000	33,567	21,000	7,925
2028	118,000	30,807	21,000	7,400
2029-2033	639,000	104,152	116,000	28,700
2034-2038	284,000	13,984	131,000	13,450
2039-2041	-	-	28,000	700
Totals	<u>\$ 1,488,000</u>	<u>\$ 297,219</u>	<u>\$ 608,000</u>	<u>\$ 91,930</u>

**NOTE 6. Leases**

**Lease Payable**

During the current fiscal year, the Hildale City entered into a ten-year lease agreement as lessee for the use of land to discharge treated effluent wastewater on the property. An initial lease liability was recorded in the amount of \$58,513 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$51,013. Hildale City is required to make yearly principal and interest payments of \$7,500. The lease has an interest rate of 6%. In addition, Hildale City will return the use of the land to the lessor and/or EGI Partners LLC at the end of the lease term. The land has a ten-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$52,662 net of accumulated amortization of \$5,851.

The future principal and interest lease payments as of June 30, 2023, were as follows:

Year Ending June 30,	Proprietary Lease Payable	
	Principal	Interest
2024	\$ 4,439	\$ 3,061
2025	4,706	2,794
2026	4,988	2,512
2027	5,287	2,213
2028	5,604	1,896
2029-2032	25,989	4,012
Totals	<u>\$ 51,013</u>	<u>\$ 16,488</u>

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

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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 Department of Hildale/Colorado City**

The Twin City Water Joint Management, Operations and Maintenance Agreement (the Water Department) 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 Department’s 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, 2023 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 Department financial statements for the year ended June 30, 2023.

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 Department audited financial statements, for the year ended June 30, 2023, can be obtained at the following address:

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

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**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

**Water Department, (Continued)**

The following is a summary of the total assets, liabilities, revenues, and expenses associated with the Water Department and the allocation between the municipalities for the year ended June 30, 2023:

	Hildale City	Colorado City	Total
Total assets	\$ 1,106,240	\$ 2,054,448	\$ 3,160,688
Current liabilities	\$ 111,165	\$ 206,453	\$ 317,618
Long-term liabilities	27,834	51,690	79,524
Total liabilities	138,999	258,143	397,142
Net position	967,241	1,796,305	2,763,546
Total net position	967,241	1,796,305	2,763,546
Total liabilities and net assets	\$ 1,106,240	\$ 2,054,448	\$ 3,160,688
Total operating revenues	\$ 334,161	\$ 620,584	\$ 954,745
Total operating expenses	359,762	668,128	1,027,890
Operating income (loss)	(25,601)	(47,544)	(73,145)
Nonoperating revenues (expenses)	29,106	54,055	83,161
Capital contributions	8,287	15,389	23,676
Change in net position	\$ 11,792	\$ 21,900	\$ 33,692

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**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

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**Gas Department of Hildale/Colorado City**

The Gas Distribution Systems Management, Operations and Maintenance Agreement (the Gas Department) 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 Department’s 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, 2023 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 Department financial statements for the year ended June 30, 2023.

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 Department audited financial statements, for the year ended June 30, 2023, can be obtained at the following address:

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

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**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

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**Gas Department, (Continued)**

The following is a summary of the total assets, liabilities, revenues, and expenses associated with the Gas Department and the allocation between the municipalities for the year ended June 30, 2023:

	Hildale City	Colorado City	Total
Total assets	\$ 891,881	\$ 1,337,821	\$ 2,229,702
Current liabilities	\$ 11,554	\$ 17,330	\$ 28,884
Long-term liabilities	444	667	1,111
Total liabilities	11,998	17,997	29,995
Net position	879,883	1,319,824	2,199,707
Total net position	879,883	1,319,824	2,199,707
 Total liabilities and net position	 \$ 891,881	 \$ 1,337,821	 \$ 2,229,702
 Total operating revenues	 \$ 610,596	 \$ 915,894	 \$ 1,526,490
Total operating expenses	698,377	1,047,565	1,745,942
Operating income (loss)	(87,781)	(131,671)	(219,452)
Nonoperating revenues (expenses)	18,091	27,137	45,228
Capital contributions	34,676	52,013	86,689
Change in net position	\$ (35,014)	\$ (52,521)	\$ (87,535)

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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, 2023**

**NOTE 9. Restricted Equity**

At June 30, 2023 the City's restricted equity balances are as follows:

**General Fund:**

Debt reserves:

Sales Tax Revenue Bonds, Series 2018

Reserve account \$ 18,605

Total general fund debt reserves \$ 18,605

Community outreach \$ -

**Sewer Fund:**

Debt reserves:

Sewer bonds - Series 2000

Reserve Fund A \$ 724,435

Total sewer debt reserves \$ 724,435

Capital outlay - impact fees \$ 764,841

**NOTE 10. Interfund Balances and Transfers**

Interfund balances at June 30, 2023 are as follows:

		Due From		
		General Fund	Internal Service Funds	Total
Due To	Capital Project Fund	\$ 412,030	\$ -	\$ 412,030
	General Fund	-	371,459	371,459
	<u>Total</u>	<u>\$ 412,030</u>	<u>\$ 371,459</u>	<u>\$ 783,489</u>

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.

During the year ended June 30, 2023, an interfund transfer of \$67,299 was transferred from the Capital Projects Fund to the General Fund to cover projects expenses paid for in the general fund related to capital assets.

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.

**HILDALE CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 11. Contingencies**

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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 measurable and cannot be estimated as of the date of the financial statements.

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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, 2023. The transaction resulted in an economic gain of \$261,145 and a reduction of \$524,553 in future debt service payments.

**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, 2023**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 225,000	\$ 223,000	\$ 184,153	\$ (38,847)
Sales and use taxes	560,300	560,300	365,598	(194,702)
Franchise taxes	119,600	119,600	112,798	(6,802)
Licenses and permits	80,000	80,000	54,151	(25,849)
Intergovernmental revenue	2,554,519	2,554,519	602,689	(1,951,830)
Charges for services	44,000	44,000	56,317	12,317
Lease revenues	70,500	70,500	50,523	(19,977)
Other revenues	101,000	101,000	74,575	(26,425)
Interest income	4,000	4,000	26,134	22,134
Total revenues	<u>3,758,919</u>	<u>3,756,919</u>	<u>1,526,938</u>	<u>(2,229,981)</u>
<b>Expenditures</b>				
Current:				
General government	1,784,764	1,784,764	813,596	971,168
Public safety	717,494	717,494	873,214	(155,720)
Highways and streets/Public works	1,103,338	1,103,338	334,879	768,459
Parks, recreation and outreach	230,764	224,764	165,847	58,917
Debt service	123,700	123,700	123,617	83
Total expenditures	<u>3,960,060</u>	<u>3,954,060</u>	<u>2,311,153</u>	<u>1,642,907</u>
Excess (deficiency) of revenues over expenditures	<u>(201,141)</u>	<u>(197,141)</u>	<u>(784,215)</u>	<u>(587,074)</u>
<b>Other financing sources (uses)</b>				
Transfers in	254,300	295,000	67,299	(227,701)
Transfers out	(154,559)	(154,559)	-	154,559
Total other financing sources (uses)	<u>99,741</u>	<u>140,441</u>	<u>67,299</u>	<u>(73,142)</u>
Net change in fund balance	(101,400)	(56,700)	(716,916)	(660,216)
Fund balance, beginning of year	599,578	599,578	599,578	-
<b>Fund balance, end of year</b>	<u>\$ 498,178</u>	<u>\$ 542,878</u>	<u>\$ (117,338)</u>	<u>\$ (660,216)</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, 2023**

	Risk Management	Judgment Resolution	Administration	Total Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 6,218	\$ 23,865	\$ 30,083
Accounts receivable	-	-	2,334	2,334
Prepaid expense	-	-	1,167	1,167
Total current assets	<u>-</u>	<u>6,218</u>	<u>27,366</u>	<u>33,584</u>
Noncurrent assets:				
Capital assets:				
Buildings	-	-	456,806	456,806
Automobiles and trucks	-	-	27,123	27,123
Machinery and equipment	-	-	216,143	216,143
Less: accumulated depreciation	<u>-</u>	<u>-</u>	<u>(294,393)</u>	<u>(294,393)</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>405,679</u>	<u>405,679</u>
Total assets	<u>-</u>	<u>6,218</u>	<u>433,045</u>	<u>439,263</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	6,218	61,586	67,804
Due to other funds	-	-	371,459	371,459
Total current liabilities	<u>-</u>	<u>6,218</u>	<u>433,045</u>	<u>439,263</u>
<b>Net position</b>				
Net investment in capital assets	-	-	405,679	405,679
Unrestricted	<u>-</u>	<u>-</u>	<u>(405,679)</u>	<u>(405,679)</u>
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, 2023**

	<u>Risk Management</u>	<u>Judgment Resolution</u>	<u>Administration</u>	<u>Total Internal Service Funds</u>
<b>Operating revenues</b>				
Charges for services:				
Judgment resolution	\$ -	\$ 59,216	\$ -	\$ 59,216
Administration	-	-	1,573,317	1,573,317
Total operating revenues	<u>-</u>	<u>59,216</u>	<u>1,573,317</u>	<u>1,632,533</u>
<b>Operating expenses</b>				
Personnel expenses	-	1,500	924,398	925,898
Office expenses and travel	-	-	82,546	82,546
Services, supplies and other	-	-	170,834	170,834
Utilities and occupancy	-	-	28,696	28,696
Insurance	-	-	60,764	60,764
Professional fees (non-legal)	-	57,716	272,295	330,011
Depreciation	-	-	28,559	28,559
Total operating expenses	<u>-</u>	<u>59,216</u>	<u>1,568,092</u>	<u>1,627,308</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>5,225</u>	<u>5,225</u>
<b>Nonoperating revenues (expenses)</b>				
Interest expense	-	-	(5,225)	(5,225)
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(5,225)</u>	<u>(5,225)</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, 2023**

	Risk Management	Judgment Resolution	Administration	Total Internal Service Funds
<b>Cash flows from operating activities</b>				
Receipts from interfund charges for services	\$ -	\$ 59,216	\$ 1,573,317	\$ 1,632,533
Payments to suppliers and service providers	-	(54,625)	(630,001)	(684,626)
Payments to employees	-	(1,500)	(924,398)	(925,898)
	<u>-</u>	<u>3,091</u>	<u>18,918</u>	<u>22,009</u>
<b>Cash flows from non-capital financing activities</b>				
Transfers from (to) other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of capital assets	-	-	(17,852)	(17,852)
Principal paid on capital debt	-	-	(15,188)	(15,188)
Interest paid	-	-	(5,225)	(5,225)
	<u>-</u>	<u>-</u>	<u>(38,265)</u>	<u>(38,265)</u>
<b>Net change in cash and cash equivalents</b>	-	3,091	(19,347)	(16,256)
Cash and cash equivalents, beginning of year	-	3,127	43,212	46,339
<b>Cash and cash equivalents, end of year</b>	<u>\$ -</u>	<u>\$ 6,218</u>	<u>\$ 23,865</u>	<u>\$ 30,083</u>
Reconciliation of operating income to net cash flows from operating activities:				
Operating income (loss)	\$ -	\$ -	\$ 5,225	\$ 5,225
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	-	28,559	28,559
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	-	-	(2,334)	(2,334)
(Increase)/decrease in prepaid items	-	-	3,998	3,998
Increase/(decrease) in accounts payable	-	3,091	(16,530)	(13,439)
	<u>-</u>	<u>3,091</u>	<u>(16,530)</u>	<u>(13,439)</u>
<b>Net cash flows from operating activities</b>	<u>\$ -</u>	<u>\$ 3,091</u>	<u>\$ 18,918</u>	<u>\$ 22,009</u>

**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, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated February 25, 2024.

**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.

- 2023-001 Reconciliation of Balances to Supporting Ledgers and Information
- 2022-001 Documentation and Availability of Information
- 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  
February 25, 2024



**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, 2023.

State compliance requirements were tested for the year ended June 30, 2023 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
Public Treasurer's Bond	Open and Public Meetings Act

***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, 2023.

## ***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 2023-001, 2023-002, 2023-003, 2023-004, 2022-001, 2022-002, 2022-03, 2022-04, 2020-001, 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*

February 25, 2024

St. George, Utah





**HILDALE CITY, UTAH**  
**Findings and Recommendations**  
**For the Year Ended June 30, 2023**

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, 2023, 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:**

2023-001. Reconciliation of Balances to Supporting Ledgers and Information

**Criteria:** Balance sheet accounts should be reconciled to subsidiary ledgers and supporting documentation on a regular basis.

**Condition:** The City utilizes a cash clearing account as part of its utility billings and payments process. Utility payments received from customers are receipted into the account and then removed from the account when the payments are applied to the individual customer accounts. This account should typically have a minimal balance at the end of each month. The City had a significant balance in this account as of June 30, 2023.

**Cause:** The City has not established a process to monitor and reconcile the activity in its utility billings cash clearing account.

**Effect:** There was a significant balance of billing and payment activity that had not been properly recorded as of June 30, 2023 and had to be researched and resolved during the course of the audit.

**Recommendation:** We recommend the City establish a process to ensure that balance sheet accounts are reconciled to the subsidiary ledgers and supporting documentation on a regular basis.



2022-001. Documentation and Availability of Information

**Criteria:** Documentation supporting the City’s financial transactions and the flow of those transactions through each accounting cycle should be maintained and available when needed.

**Condition:** Certain information was not readily available or could not be provided. The City did not have and could not easily provide information for:

- ongoing capital projects with expenditures to date and expected completion dates,
- correct balances relating to impact fees
- justice court receipts
- other information was provided, but only after a long period of searching for this information.

**Cause:** The turnover in, and the changes in responsibilities of, accounting and administrative personnel in recent years has caused an upset in processes and a disorder in records.

**Effect:** When the City does not maintain complete, accurate, and available supporting documentation the risk of a material misstatement through error or fraud is increased.

**Recommendation:** We recommend the City work to ensure records are maintained and organized in a consistent manner, in compliance with record retention standards.

2007-002. Capital and Other Assets—Accounting and Controls, Reworded and Reissued

**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 does not have adequate policies and procedures to track and monitor capital and other assets (e.g. vehicles, equipment, fuel inventory).

**Cause:** Due to the extent of process review, updates, and processing of related transactions the City has not yet had resources to address this issue. Timing restraints and prior year changes in accounting personnel appear to 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:

#### 2023-001. Open and Public Meetings Act

**Criteria:** Utah Code has multiple requirements in relation to the Open and Public Meetings Act. These include: Proper training of members governing body are provided with training on the requirements of open and public meetings, and proper documentation and notice of meetings through postings to the Utah Public Notice Website for items such as:

- Meetings minutes being posted within three days for both City Council and work meetings
- Public materials distributed during the meeting also need to be posted within three days.
- Proper 7-day notice given before approval of the final and tentative budget given
- At least 24 hour notice is given before each meeting
- A reasonable agenda is posted
- Final Actions taken come from items on the agenda
- Certain requirements for closed meetings

**Condition:** Training for Open and Public meetings did not have sufficient documentation to determine if this occurred, as no official training certificates were held by the City, nor was this documented in the meeting minutes. September meeting minutes approved on 10/12/22 weren't published to the Utah Public Notice Website until 11/14/22, nor was packet information provided. The February 8 and June 22 work meetings didn't have timely notices posted and the February meeting didn't have timely meeting minutes posted.

**Cause:** Lack of knowledge and training could cause the City to be uncompliant in these areas.

**Effect:** The city is not in compliance with the requirement.

**Recommendation:** We recommend staying current on Open and Public meeting requirements and in meeting these requirements with each open and public meeting.

2023-002. Budgetary Compliance – Monthly Financial Reports

**Criteria:** Utah Code requires appropriate financial reports to be presented monthly to the governing body. These reports should agree with the amounts recorded in the general ledger.

**Condition:** The August 2022 reports presented to the board do not fully agree with general ledger amounts as of August 31, 2022. One such example is account 11-41-310 (Professional and Technical), which has a report balance of \$11,251 and a general ledger balance of \$150 as of the same date.

**Cause:** It appears financial reports are not being accurately prepared which may come from a variety of reason such as error, unfamiliarity with the software, among other reasons.

**Effect:** This will affect the City Council’s ability to make well informed decisions for the City.

**Recommendation:** We recognize that some variance with accounts in the general ledger and these reports for a variety of reason, but generally these amounts should agree each month. We recommend making sure the general ledger and financial reports are the same each month.

2023-003. Justice Court Monitoring

**Criteria:** Utah Code requires appropriate separation of duties within a justice court using Coris. 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:** Review of the justice court’s separation of duties of record keeping and accounting indicates the City controls lack proper design and implementation to ensure proper separation of duties.

**Cause:** The following causes were noted for the given transaction cycles:

- cash change fund: unannounced counts and related record updates are required at least three times a year, but none have been performed in the year under audit (custody and record keeping)
- mail payments: no verification or reconciliation of the Court’s mail log to the Coris mail log is being performed (custody and record keeping)
- revenue/trust funds: one employee records amounts due from citation and also receipts revenue for trust payments (custody and record keeping)

- trust disbursements: there was no reconciliation of disbursements per the disbursements journal to the general ledger, restitution reports, Coris trust account, and bank statements (custody and record keeping)
- local government: no process and associated controls appears to be in place for tracking, paying, and monitoring juror or witness fees. (custody, record keeping, authorization)

**Effect:** Lack of controls could lead to misstatements, misinformation, and/or fraud if not effectively mitigated.

**Recommendation:** We recognize the size of the City makes some segregation of duties functions difficult, yet we also recognize the importance of having a proper system of internal control to help mitigate negative risks to the City and the justice court. We recommend that additional city personnel are involved in the justice court internal controls, or additional individuals are hired to mitigate the controls risk currently present.

2023-004.

Governmental Fees

**Criteria:** Utah Code requires Governmental Organizations to comply with certain requirements regarding fees charged by the City, including building permit and plan fees. This includes tracking revenues and expenses for each fees charged, and if fees exceed expenditures the proper tracking of excess revenues. Fees Schedules should be approved by governing boards and include all governmental fees. Fees should have a reasonable methodology to calculate fees. If a City charges building permit and plan fees, the City should not charge a fee that exceeds the reasonable cost of processing the application or issuing the permit, as well as having a reasonable allocation method for allocating any indirect costs to these fees and using the proper transparency code for reporting these expenditures.

**Condition:** In considering and reviewing the above mentioned criteria, it was found that the City did not track expenses separately in the General Ledger for GRAMMA, business license, and building permit fees, but the City does track these revenues. Excess revenues do not appear to be tracked. No separate tracking appears to be recorded for Animal Control fees. Additionally, no allocation methods were provided for allocation of indirect costs charged for building and plan review fees.

**Cause:** This is a relatively new compliance requirement, and considering the turnover in City personnel it appears the City is unfamiliar with this requirement.

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

**Recommendation:** We recommend that the City reviews the State Compliance requirements regarding governmental fees and properly adjust accounting and administrative procedures to be in compliance. We recommend that the City track separately revenues and expenditures for each governmental fee charged, and track excess revenues related to these fees. We also recommend having an allocation method for allocating indirect costs to building and plan review fees charged.

2022-001. Budgetary Approval

**Criteria:** Utah Code requires the City to approve its budget before the beginning of the budget year.

**Condition:** The budget for the fiscal year beginning July 1, 2022 and ending June 30, 2023 was not approved until July 20, 2022.

**Cause:** The turnover in, and the changes in responsibilities of, accounting and administrative personnel in recent years has caused delays in the preparation and submission of the budget.

**Effect:** The City is not in compliance with this requirement.

**Recommendation:** We recommend the City timely complete, approve and submit its annual budget.

2022-002. Budgetary Excess

**Criteria:** Utah Code Section 10.6.123 states a City may not make or incur expenditures in excess of total appropriations adopted in the budget.

**Condition:** During fiscal year 2023, the City had the following departments and funds with expenditures in excess of budgeted amounts:

- Public Safety Department by \$155,720
- Judgement Resolution Fund by \$11,216
- Capital Projects Fund by \$104,965

**Cause:** The turnover in, and the changes in responsibilities of, accounting and administrative personnel in recent years has caused difficulties in ensuring proper monitoring of the budget to actual expenditures.

**Effect:** The City is not in compliance with this state budgeting requirement.

**Recommendation:** We recommend the City continue to establish and follow procedures to limit expenditures within authorized limits or amend its budget during the year when events arise causing certain departments to exceed the budget.

2022-003. Treasurer's Bond

**Criteria:** Utah Code requires the City to acquire a surety bond at prescribed amounts for its treasurer.

**Condition:** The City provided a Surety Bond document showing total coverage of \$400,000, while due to the City having over \$10 Million in budgeted revenues in the prior year, the required coverage amount is \$500,000 for the current year,

**Cause:** The City did not adequately consider budgeted amounts from the prior year to obtain adequate coverage for the City.

**Effect:** The City is not in compliance with this requirement.

**Recommendation:** We recommend the City ensure compliance with the Treasurer bond requirements through proper consideration of the previous years budgeted revenues.

2022-004. Court Receipt

**Criteria:** Utah Code requires the City to properly categorize payments to the court.

**Condition:** The City could not provide supporting documentation for the sampled court receipts tested for proper categorization.

**Cause:** The turnover in court personnel in recent years has caused an upset in processes and some disorder in records.

**Effect:** It could not be determined if the court properly categorized the amounts for the receipt, and if the City is in compliance with this requirement.

**Recommendation:** We recognize the City has recently received a Court specific audit from the State and recommend the City follow the recommendation coming from that audit to improve operations and documentation within the court. We also recommend the City is familiar with State Compliance requirements and follow those requirements.

2020-001. Fraud Risk Assessment, Reworded and Reissued

**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, being completed for the year ending June 30, 2023 in September of 2023.

**Cause:** It appears the assessment was not performed until the end of the fiscal year, causing the final approval and submission process to be late.

**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.



2017-001. Impact Fees, Reworded and Reissued

**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, 2023, the City did not 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 2023.

**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.

We appreciate the opportunity 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*

February 25, 2024





Mr. McKay Hall  
Hinton Burdick, PLLC  
PO Box 38  
St. George, UT 84770  
RE: FY23 Auditor's Findings and Recommendations

March 29, 2024

This letter addresses deficiencies outlined in the fiscal year 2023 audit report. During FY23, Hildale engaged a financial consultancy firm to review, identify deficiencies, correct said deficiencies, and establish processes and training of staff to ensure the deficiencies do not reoccur. As a result, most of the findings of this report have been corrected or are currently in correction.

Findings and Recommendations For the Year Ended June 30, 2023

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

Material Weaknesses: None noted

**Significant Deficiencies:**

2023-001. Reconciliation of Balances to Supporting Ledgers and Information

**Criteria:** Balance sheet accounts should be reconciled to subsidiary ledgers and supporting documentation on a regular basis.

**Condition:** The City utilizes a cash clearing account as part of its utility billings and payments process. Utility payments received from customers are receipted into the account and then removed from the account when the payments are applied to the individual customer accounts. This account should typically have a minimal balance at the end of each month. The City had a significant balance in this account as of June 30, 2023.

**Cause:** The City has not established a process to monitor and reconcile the activity in its utility billings cash clearing account.

**Effect:** There was a significant balance of billing and payment activity that had not been properly recorded as of June 30, 2023 and had to be researched and resolved during the course of the audit.

**Recommendation:** We recommend the City establish a process to ensure that balance sheet accounts are reconciled to the subsidiary ledgers and supporting documentation on a regular basis.

City Management's Response:

The City Manager instituted directions that accurate and timely reconciliations of the various general ledger accounts be completed and reported to the City Manager. As of August 2023, the reconciliations are up to date and will continue monthly updates through engagement of a certified financial professional firm.



Mayor: Donia Jessop  
Councilmembers: JVar Dutson, Brigham Holm, Luke Merideth, Terrill Musser, Darlene Stubbs  
City Manager: Eric Duthie

2022-001. Documentation and Availability of Information

**Criteria:** Documentation supporting the City’s financial transactions and the flow of those transactions through each accounting cycle should be maintained and available when needed.

**Condition:** Certain information was not readily available or could not be provided. The City did not have and could not easily provide information for:

- ongoing capital projects with expenditures to date and expected completion dates,
- correct balances relating to impact fees
- justice court receipts
- other information was provided, but only after a long period of searching for this information.

**Cause:** The turnover in, and the changes in responsibilities of, accounting and administrative personnel in recent years has caused an upset in processes and a disorder in records.

**Effect:** When the City does not maintain complete, accurate, and available supporting documentation the risk of a material misstatement through error or fraud is increased.

**Recommendation:** We recommend the City work to ensure records are maintained and organized in a consistent manner, in compliance with record retention standards.

City Management's Response:

Staff changes have improved this issue, and proper adjustments are being made. Staff changes have created unfamiliarity with some procedures and “less than daily” operations. As staff is trained by the engaged certified financial professional firm, they will become more familiar and knowledgeable of the procedures and accounts.

2007-002. Capital and Other Assets—Accounting and Controls, Reworded and Reissued

**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 does not have adequate policies and procedures to track and monitor capital and other assets (e.g. vehicles, equipment, fuel inventory).

**Cause:** Due to the extent of process review, updates, and processing of related transactions the City has not yet had resources to address this issue. Timing restraints and prior year changes in accounting personnel appear to 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).

City Management's Response:

Hildale City continues to improve in these issues, but with a minimum of staff. Due to the intensity of increased workload amongst the small staff, this will take more time to be improved upon.

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.).

City Management's Response:

As the Audit identifies, Hildale City has a very small administrative staff, but the duties of need are considerable. Staff changes have corrected most of this deficiency. We continue to address segregation of duties with part-time assistance. However, without sufficient staff, the issue remains, but we mitigate it with confirmation of accounts and deposits by the certified professional financial firm.

**COMPLIANCE AND OTHER MATTERS:**

2023-001. Open and Public Meetings Act

**Criteria:** Utah Code has multiple requirements in relation to the Open and Public Meetings Act. These include: Proper training of members governing body are provided with training on the requirements of open and public meetings, and proper documentation and notice of meetings through postings to the Utah Public Notice Website for items such as:

- Meetings minutes being posted within three days for both City Council and work meetings
- Public materials distributed during the meeting also need to be posted within three days.
- Proper 7-day notice given before approval of the final and tentative budget given
- At least 24 hour notice is given before each meeting
- A reasonable agenda is posted
- Final Actions taken come from items on the agenda
- Certain requirements for closed meetings

**Condition:** Training for Open and Public meetings did not have sufficient documentation to determine if this occurred, as no official training certificates were held by the City, nor was

this documented in the meeting minutes. September meeting minutes approved on 10/12/22 weren't published to the Utah Public Notice Website until 11/14/22, nor was packet information provided. The February 8 and June 22 work meetings didn't have timely notices posted and the February meeting didn't have timely meeting minutes posted.

**Cause:** Lack of knowledge and training could cause the City to be uncompliant in these areas.

**Effect:** The city is not in compliance with the requirement.

**Recommendation:** We recommend staying current on Open and Public meeting requirements and in meeting these requirements with each open and public meeting.

City Management's Response:

Staff changes have corrected these deficiencies, and all are currently in compliance.

2023-002. Budgetary Compliance – Monthly Financial Reports

**Criteria:** Utah Code requires appropriate financial reports to be presented monthly to the governing body. These reports should agree with the amounts recorded in the general ledger.

**Condition:** The August 2022 reports presented to the board do not fully agree with general ledger amounts as of August 31, 2022. One such example is account 11-41-310 (Professional and Technical), which has a report balance of \$11,251 and a general ledger balance of \$150 as of the same date.

**Cause:** It appears financial reports are not being accurately prepared which may come from a variety of reason such as error, unfamiliarity with the software, among other reasons.

**Effect:** This will affect the City Council's ability to make well informed decisions for the City.

**Recommendation:** We recognize that some variance with accounts in the general ledger and these reports for a variety of reason, but generally these amounts should agree each month. We recommend making sure the general ledger and financial reports are the same each month.

City Management's Response:

As of August 2023, the entries have been updated and will continue monthly through engagement of a certified financial professional firm. Staff changes have created unfamiliarity with some procedures and "less than daily" operations. As staff is trained by the engaged certified financial professional firm, they will become more familiar and knowledgeable of the procedures and accounts.

2023-003. Justice Court Monitoring

**Criteria:** Utah Code requires appropriate separation of duties within a justice court using Coris. 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:** Review of the justice court's separation of duties of record keeping and accounting indicates the City controls lack proper design and implementation to ensure proper separation of duties.

**Cause:** The following causes were noted for the given transaction cycles:

- cash change fund: unannounced counts and related record updates are required at least three times a year, but none have been performed in the year under audit (custody and record keeping)
- mail payments: no verification or reconciliation of the Court's mail log to the Coris mail log is being performed (custody and record keeping)
- revenue/trust funds: one employee records amounts due from citation and also receipts revenue for trust payments (custody and record keeping)
- trust disbursements: there was no reconciliation of disbursements per the disbursements journal to the general ledger, restitution reports, Coris trust account, and bank statements (custody and record keeping)
- local government: no process and associated controls appears to be in place for tracking, paying, and monitoring juror or witness fees. (custody, record keeping, authorization)

**Effect:** Lack of controls could lead to misstatements, misinformation, and/or fraud if not effectively mitigated.

**Recommendation:** We recognize the size of the City makes some segregation of duties functions difficult, yet we also recognize the importance of having a proper system of internal control to help mitigate negative risks to the City and the justice court. We recommend that additional city personnel are involved in the justice court internal controls, or additional individuals are hired to mitigate the controls risk currently present.

City Management's Response:

Hildale received a Court specific audit during FY23. The audit identified many deficiencies, mostly in Court Clerk duties, with a few concerning the physical security of the Court Payment office. Hildale has assigned a new Court Clerk and has achieved compliance with all deficiencies identified, during FY24.

2023-004. Governmental Fees

**Criteria:** Utah Code requires Governmental Organizations to comply with certain requirements regarding fees charged by the City, including building permit and plan fees. This includes tracking revenues and expenses for each fees charged, and if fees exceed expenditures the proper tracking of excess revenues. Fees Schedules should be approved by governing boards and include all governmental fees. Fees should have a reasonable methodology to calculate fees. If a City charges building permit and plan fees, the City should not charge a fee that exceeds the reasonable cost of processing the application or issuing the permit, as well as having a reasonable allocation method for allocating any indirect costs to these fees and using the proper transparency code for reporting these expenditures.

**Condition:** In considering and reviewing the above mentioned criteria, it was found that the City did not track expenses separately in the General Ledger for GRAMMA, business license, and building permit fees, but the City does track these revenues. Excess revenues do not appear to be tracked. No separate tracking appears to be recorded for Animal Control fees. Additionally, no allocation methods were provided for allocation of indirect costs charged for building and plan review fees.

**Cause:** This is a relatively new compliance requirement, and considering the turnover in City personnel it appears the City is unfamiliar with this requirement.

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

**Recommendation:** We recommend that the City reviews the State Compliance requirements regarding governmental fees and properly adjust accounting and administrative procedures to be in compliance. We recommend that the City track separately revenues and expenditures for each governmental fee charged, and track excess revenues related to these fees. We also recommend having an allocation method for allocating indirect costs to building and plan review fees charged.

City Management's Response:

As this is a "relatively new requirement" we will coordinate with our certified financial firm to improve and gain compliance.

2022-001. Budgetary Approval

**Criteria:** Utah Code requires the City to approve its budget before the beginning of the budget year.

**Condition:** The budget for the fiscal year beginning July 1, 2022 and ending June 30, 2023 was not approved until July 20, 2022.

**Cause:** The turnover in, and the changes in responsibilities of, accounting and administrative personnel in recent years has caused delays in the preparation and submission of the budget.

**Effect:** The City is not in compliance with this requirement.

**Recommendation:** We recommend the City timely complete, approve and submit its annual budget.

City Management's Response:

Although there have been several justifiable reasons for the delay in budget approval, staff have been continuing to work through and overcome many of the obstacles involved.

Compliance is anticipated by the FY26 budget cycle.

2022-002. Budgetary Excess

**Criteria:** Utah Code Section 10.6.123 states a City may not make or incur expenditures in excess of total appropriations adopted in the budget.

**Condition:** During fiscal year 2023, the City had the following departments and funds with expenditures in excess of budgeted amounts:



- Public Safety Department by \$155,720
- Judgement Resolution Fund by \$11,216
- Capital Projects Fund by \$104,965

**Cause:** The turnover in, and the changes in responsibilities of, accounting and administrative personnel in recent years has caused difficulties in ensuring proper monitoring of the budget to actual expenditures.

**Effect:** The City is not in compliance with this state budgeting requirement.

**Recommendation:** We recommend the City continue to establish and follow procedures to limit expenditures within authorized limits or amend its budget during the year when events arise causing certain departments to exceed the budget.

City Management's Response:

During FY24 the following directives were made, and actions taken:

General Fund:

- ✓ Corrected miscoded/delayed invoices from FY23 (\$479,866 reduction)
- ✓ Reallocated staff expenses properly between GF and UF
- ✓ Two Administrative full-time positions vacated.
  - One entry level
  - One high salary
- ✓ Replaced two full-time (benefit) positions with part-time (non-benefit) staff.
- ✓ Transferred one high salary administrative position from Admin to Utilities
- ✓ Reduced contractor salary of City Prosecutor
- ✓ School Resource Officer expense invoicing made current.
- ✓ All expenses reviewed by the City Manager prior to payment.
- ✓ Reimbursements require approval of the City Manager.
- ✓ Credit card charges will not be approved without preapproval of the City Manager.
- ✓ No reimbursement of expenses will be authorized if personal cards, cash, or other purchases are made on behalf of the city unless preapproved by the City Manager. Emergency exceptions must be justified to the City Manager.
- ✓ All travel requiring expenses other than a meal (fuels, lodging, conferences, training, etc.) must be preapproved by the City Manager.
- ✓ Electronic meeting communications (Zoom, Teams) will be the first option over travel to out-of-area meetings.
- ✓ Subscriptions, memberships, dues, or other fees incurred require direct approval of the City Manager.
- ✓ Public Works Capital Outlay decreased and delayed.
- ✓ Parks Capital Outlay decreased and delayed.
- ✓ Admin fees adjusted (first time in years)
- ✓ Land Use Fees adjusted (first time in years)



- ✓ Adjusted/increased facility use fees (Park events/use)
- ✓ Established updates to office lease agreements and costs.
- ✓ Replaced unsafe/unreliable/expensive maintenance vehicles with low cost leased units.
- ✓ Communication devices (cell phones, notebooks, iPads) connected to cell service terminated.
- ✓ Reviewing service fee adjustments for third parties (Electric company, Landfill)
- ✓ Reducing City Attorney retainer to hourly, as needed
- ✓ Instituted electronic delivery of meeting materials to Council, Board, and Commission
- ✓ Identified surplus equipment opportunities for auction and instituted sales.
- ✓ Identified tax revenue spillage for correction (Business Licenses, Transient Tax, Sales Tax)
- ✓ Actively pursued grant funding
- ✓ Reviewed options to adjust Industrial Park leases from 2017-2018 (dramatically below market) Not resolved.

Utility Fund:

- ✓ Utility Director vacated position (high salary)
- ✓ Contractor company agreement terminated with negotiated "buy out" for consultant to be released from the company.
- ✓ Contracted directly with consultant to become Utility Director at fifty percent reduction from company contract cost.
- ✓ Established a month-to-month contract for an apartment for Utility Director on-site needs. Apartment cost is less than hotel stays.
- ✓ Replaced one high salary position (former Director) with entry salary employee.
- ✓ Contracted natural gas commodity rather than purchasing from open market. Avoids expensive fluctuations as experienced in January 2023, which resulted in a waiver of the January 2023 Energy and Use Tax

2022-003. Treasurer's Bond

**Criteria:** Utah Code requires the City to acquire a surety bond at prescribed amounts for its treasurer.

**Condition:** The City provided a Surety Bond document showing total coverage of \$400,000, while due to the City having over \$10 Million in budgeted revenues in the prior year, the required coverage amount is \$500,000 for the current year,

**Cause:** The City did not adequately consider budgeted amounts from the prior year to obtain adequate coverage for the City.

**Effect:** The City is not in compliance with this requirement.

**Recommendation:** We recommend the City ensure compliance with the Treasurer bond requirements through proper consideration of the previous years budgeted revenues.

City Management's Response:

The Treasurer Bond issue was discussed with Olympus Insurance, the City provider. The insurance policy includes bonding for all statutory officers.

2022-004. Court Receipt

**Criteria:** Utah Code requires the City to properly categorize payments to the court.

**Condition:** The City could not provide supporting documentation for the sampled court receipts tested for proper categorization.

**Cause:** The turnover in court personnel in recent years has caused an upset in processes and some disorder in records.

**Effect:** It could not be determined if the court properly categorized the amounts for the receipt, and if the City is in compliance with this requirement.

**Recommendation:** We recognize the City has recently received a Court specific audit from the State and recommend the City follow the recommendation coming from that audit to improve operations and documentation within the court. We also recommend the City is familiar with State Compliance requirements and follow those requirements.

City Management's Response:

Hildale received a Court specific audit during FY23. The audit identified many deficiencies, mostly in Court Clerk duties, with a few concerning the physical security of the Court Payment office. Hildale has assigned a new Court Clerk and has achieved compliance with all deficiencies identified, during FY24.

2020-001. Fraud Risk Assessment, Reworded and Reissued

**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, being completed for the year ending June 30, 2023 in September of 2023.

**Cause:** It appears the assessment was not performed until the end of the fiscal year, causing the final approval and submission process to be late.

**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.



City Management's Response:

The FY24 Fraud Risk Assessment was completed, approved by Council, and submitted in a timely manner.

2017-001. Impact Fees, Reworded and Reissued

**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, 2023, the City did not 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 2023.

**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.

City Management's Response:

Executive level staff changes occurred just prior to FY24, and administrative assistant has been assigned to improve these issues. As staff are trained by an engaged certified financial professional firm, they will become more proficient.

This is the response 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.



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We appreciate the opportunity 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.

Respectfully,

Eric A. Duthie,  
Hildale City Manager



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Mayor: Donia Jessop  
Councilmembers: JVar Dutson, Brigham Holm, Luke Merideth, Terrill Musser, Darlene Stubbs  
City Manager: Eric Duthie