



April 1, 2021

To the Mayor and City Council
Hideout Town
10860 N Hideout Trail
Hideout, UT 84036

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Hideout Town for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and if applicable the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 4, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hideout Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Hideout Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Town's financial statements was:

- Management's estimate of accounts receivable collectible within one year and the allowance for uncollectible accounts. A portion of Hideout Town's receivable balance (\$320,000) has been challenged by a customer and is in the process of litigation.
- Management's estimate of the estimated useful life of capital assets is based on historical averages on replacement. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

ROYCE J. RICHARDS, J.D., CPA | RYAN R. CHILD, CPA

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. See Appendix A of this letter for a listing of individually significant corrections. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 1, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Hideout Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Hideout Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters for Your Consideration

During our audit we also noted items of improvement to internal controls and processes that will improve financial reporting and the control structure. Below are these items for your consideration.

2020-5 Miscalculated Building Permit Fees

Finding: Per the Town of Hideout Fees and Rates Schedule, building valuations should be derived from current building valuation data from the International Code Council (ICC). Valuation figures for one of the five sample items tested were calculated using ICC tables from an outdated fee and rate schedule, resulting in under-calculated building permit fees of \$1,164.

Recommendation: We recommend the City use the latest tables available from the ICC in calculating building valuations.

Management's Response: Administrations will be trained on figuring proper building rates per the ICC table and charge accordingly.

2020-6 Unsupported Vacation Balances

Finding: Vacation balances of the Public Works Director are based on employee record only and are not tracked independently by the Town of Hideout. Because these balances ultimately result in payouts to the employee upon termination, it is important that the balances be tracked and regularly reviewed by an independent individual.

Recommendation: We recommend an independent individual maintain and review the vacation balances of the Public Works Director each pay period.

Management's Response: The Public Works Director's Vacation Balance will be reviewed monthly by the Town Administrator. This employee had a grandfathered vacation agreement. The town will ensure that the vacation is paid out and that it will be tracked moving forward in the accounting system.

2020-07 Noncompliance with State Requirements

Finding: We noted noncompliance with the following state requirements:

1. Per Utah Code, Section 52-4-203(4)(e), a state public body shall within three business days after approving written minutes of an open meeting, post to the website and make available to the public a copy of the approved minutes. Meeting minutes were not posted to the Public Notice website for four meetings held during the fiscal year.
2. Per Auditor Alert 2020-01 issued by the Office of the State Auditor, all local governments are required to complete, certify, and present an Annual Fraud Risk Assessment to the governing board before the end of the 2020 fiscal year. The Town was unable to complete the assessment prior to June 30, 2020. The Town completed the assessment in July 2021 but has not uploaded the required documents to the Office of the State Auditor.

Recommendation: We recommend the Town 1) ensure all Town council meeting minutes are posted in a timely manner to the Public Notice Website as required by law, and 2) complete and present the fraud risk assessment to the town council annually before the end of the fiscal year and upload documents as required by the Office of the State Auditor.

Management's Response: The town got behind on minutes due to loss of a recorder amid a significant increase in the number of public meetings due to a controversial annexation petition. The town hired a new clerk as well as a deputy clerk to address this.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and the budgetary comparison for the general fund which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining individual fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Mayor and City Council and management of Hideout Town and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Child, Richards CPAs & Advisors

APPENDIX A
TOWN OF HIDEOUT JOURNAL ENTRIES
JUNE 30, 2020

#	ACCOUNT DESCRIPTION	DEBIT	CREDIT
GENERAL FUND			
1	2981 Fund Balance	5,463.90	
	1175 Undeposited receipts		5,463.90
	2981 Fund Balance	2,838.68	
	NEW - Allowance for doubtful accounts		2,838.68
	10 2971 - Restricted	15,874.04	
	1341 Due from other governments		15,874.04
	1341 Due from other governments	19,714.86	
	10 2981 - Fund balance		19,714.86
	1341 Due from other governments	31,029.23	
	2380 Deferred inflows - property taxes		31,029.23
	1341 Due from other governments	9,866.13	
	2981 Fund Balance		9,388.52
	2981 Fund Balance		477.61
	1341 Due from other governments	2,255.13	
	2981 Fund Balance		2,255.13
	2981 Fund Balance	79,319.69	
	5002.3 Engineering		13,041.57
	5002.2 Legal		4,880.00
	5002.4 Building inspection		33,879.89
	5002.3 Engineering		27,518.23
	5001.8 Admin Personnel	1,633.17	
	10 2981 - Fund balance		1,633.17
	10 2981 - Fund balance	4,357.55	
	5001.8 Admin Personnel		4,357.55
	10 2981 - Fund balance	8,643.75	
	NEW - Interest Payable		8,643.75
	10-2131 Accounts Payable	1,631.25	
	10 2981 - Fund balance		1,631.25
	10 2981 - Fund balance	2,092.50	
	5002.3 Engineering		2,092.50
	10 2981 - Fund balance	1,640.00	
	2700 Western Ventures-Deer Springs		1,640.00
	2700 Western Ventures-Deer Springs	10,532.66	
	10 2981 - Fund balance		10,532.66
	10 2981 - Fund balance	787.50	
	2703 Golden Eagle Phase 1		787.50
	2703 Golden Eagle Phase 1	7,512.26	
	10 2981 - Fund balance		7,512.26
	10 2981 - Fund balance	1,756.25	
	2705 Golden Eagle Phase 3		1,756.25
	10 2981 - Fund balance	925.00	
	2712 Klaim	-	925.00
	2712 Klaim	7,231.35	
	10 2981 - Fund balance		7,231.35

	10 2981 - Fund balance	60.00	
	2713 Klaim The View at Hideout		60.00
	2713 Klaim The View at Hideout	600.00	
	10 2981 - Fund balance		600.00
	2724 Shoreline Phase 1 Plat C""	620.00	
	10 2981 - Fund balance		620.00
	2726 Shoreline Phase 2A	280.00	
	10 2981 - Fund balance		280.00
	10 2981 - Fund balance	640.09	
	2727 Soaring Hawk Phase 1 Soaring Hawk Subdivision		640.09
	2727 Soaring Hawk Phase 1 Soaring Hawk Subdivision	1,416.60	
	10 2981 - Fund balance		1,416.60
	2731 Sunrise	3,180.00	
	10 2981 - Fund balance		3,180.00
	10 2981 - Fund balance	600.00	
	2735 The Views Development Review		600.00
	2971 Restricted	16,425.00	
	2981 Fund balance		16,425.00
	10 2981 - Fund balance	28,123.20	
	NEW 10 2975 - Bond Reserves		28,123.20
	1111 Key Bank (4000)	45,000.00	
	2981 Fund balance		45,000.00
	5004 Admin Other	529.72	
	2981 Fund balance		529.72
	1111 Key Bank (4000)	911.42	
	2981 Fund balance		911.42
	-to adjust retained earnings to beginning audited balance		
2	5002.3 Engineering	23,175.75	
	5002.2 Legal	814.00	
	2700 Western Ventures-Deer Springs		23,989.75
	2700 Western Ventures-Deer Springs	27,573.85	
	NEW REVENUE ACCT - Developer reimbursements		27,573.85
	5002.3 Engineering	22,203.10	
	5002.2 Legal	374.00	
	2701 Deer Waters Resort		22,577.10
	2701 Deer Waters Resort	25,155.14	
	NEW REVENUE ACCT - Developer reimbursements		25,155.14
	5002.3 Engineering	15,358.50	
	2703 Golden Eagle Phase 1		15,358.50
	2703 Golden Eagle Phase 1	19,489.75	
	NEW REVENUE ACCT - Developer reimbursements		19,489.75
	5002.3 Engineering	1,803.65	
	2705 Golden Eagle Phase 3		1,803.65
	5002.3 Engineering	10,135.15	
	5002.2 Legal	3,234.00	
	2712 Klaim		13,369.15

2712 Klaim	15,725.15	
NEW REVENUE ACCT - Developer reimbursements		15,725.15
2713 Klaim The View at Hideout	225.00	
NEW REVENUE ACCT - Developer reimbursements		225.00
2715 Perches/Commercial (Golden Eagle)	704.00	
2714 New Town Center & Perch		704.00
5002.3 Engineering	7,210.25	
2716 Plumb Holdings		7,210.25
2716 Plumb Holdings	8,279.00	
NEW REVENUE ACCT - Developer reimbursements		8,279.00
5002.3 Engineering	9,595.00	
2721 Shoreline (remaining lots)		9,595.00
2722 Shoreline Phase 1 Plat "A"	3,301.22	
NEW REVENUE ACCT - Developer reimbursements		3,301.22
5002.3 Engineering	10,531.20	
5002.2 Legal	198.00	
2725 Shoreline Phase 2		10,729.20
2725 Shoreline Phase 2	25,632.19	
NEW REVENUE ACCT - Developer reimbursements		25,632.19
5002.3 Engineering	1,020.40	
2727 Soaring Hawk Phase 1 Soaring Hawk Subdivision		1,020.40
5002.3 Engineering	600.00	
2729 Soaring Hawk Phase 3 Fox Hollow		600.00
2729 Soaring Hawk Phase 3 Fox Hollow	2,618.07	
NEW REVENUE ACCT - Developer reimbursements		2,618.07
5002.3 Engineering	188.50	
2730 Soaring Hawk Phase 4		188.50
2730 Soaring Hawk Phase 4	894.90	
NEW REVENUE ACCT - Developer reimbursements		894.90
5002.3 Engineering	8,671.50	
2732 Vanden Akker		8,671.50
2732 Vanden Akker	8,722.20	
NEW REVENUE ACCT - Developer reimbursements		8,722.20
5002.3 Engineering	4,948.75	
2733 Venturi		4,948.75
2733 Venturi	4,628.75	
NEW REVENUE ACCT - Developer reimbursements		4,628.75
5002.3 Engineering	4,671.25	
2734 All West		4,671.25

	2734 All West	6,467.00	
	NEW REVENUE ACCT - Developer reimbursements		6,467.00
	5002.3 Engineering	1,000.00	
	2801 Creekside		1,000.00
	5002.3 Engineering	225.00	
	2735 The Views Development Review		225.00
	-to reclass developer liabilities as revenue and expense		
3	2981 Fund balance	5,046.55	
	1111 Key Bank (4000)		5,046.55
	-to adjust Retained Earnings for prior period voided checks #3882 & #4015		
4	2307 Security deposits	29,389.00	
	NEW Deferred Revenue		29,389.00
	-to reclass unspent CARES act funds as deferred revenue		
5	5003 Admin Benefits	1,857.40	
	5001.7 Admin Office supplies	136.87	
	2221 Accrued SS, MC, & FWT payable		1,994.27
	-to reclass PEHP & lease pament		
6	NEW - Prepaid Expense	6,412.34	
	2221 Accrued SS, MC, & FWT payable		1,297.06
	2222 Accrued state withholding payable		5,115.28
	-to reclass overpayments less amounts due as prepaid expense		
7	5002.3 Engineering	7,074.50	
	5002.2 Legal	1,753.00	
	2602 Professional Services Advanced		8,827.50
	-to reclassify as expenses to the Town		
8	1341 Due from other governments	2,885.55	
	1411 Due from other		2,885.55
	-to reclass Energy taxes accrual		
9	1341 Due from other governments	3,079.26	
	3120 Prior year property taxes - delinquent		3,079.26
	-to recognize deferred delinquent taxes received in FY2020 less FY2019 accrual as revenue		
10	1111 Key Bank (4000)	2,929.04	
	1175 Undeposited receipts		2,929.04
	-to allocate undeposited receipts from General Fund to Water Fund		
11	5002.4 Building inspection	20,388.75	
	5002.2 Legal	9,980.10	
	2131 Accounts payable		30,368.85
	-to accrue FY20 expenses		

12	NEW Deferred Revenue	13,647.46	
	NEW - CARES Act Revenue		13,647.46
	-to recognize spent CARES act funds as revenue		
13	5001.8 Admin Personnel	2,372.74	
	2211 Accrued wages payable		2,372.74
	-to adjust 2020 wages payable		
14	2307.1 Application Deposits	61,000.00	
	NEW - Contributions from Developers		61,000.00
	-to reclassify contribution from developer made in exchange for annexation		
15	2380 Deferred inflows - property taxes	15,872.85	
	1341 Due from other governments		15,872.85
	-to adjust balance of 2020 Delinquent taxes receivable		
16	2981 Fund balance	592.91	
	NEW :2975 Bond Reserves		592.91
	-to adjust bond reserve account to PTIF balance at year end		
17	1341 Due from other governments	2,034.09	
	3120 Prior year property taxes - delinquent		1,593.20
	3124 Fee-in-lieu of property taxes		440.89
	-to accrue property taxes April - June		
18	1341 Due from other governments	1,074.41	
	10 2981 - Fund balance		1,074.41
	3124 Fee-in-lieu of property taxes	135.52	
	3120 Prior year property taxes - delinquent	938.89	
	1341 Due from other governments		1,074.41
	-to record June PY receivable and FY20 reversal of property taxes		
19	3140 Municipal energy taxes	7,659.68	
	1341 Due from other governments		7,659.68
	3140 Municipal energy taxes	2,255.13	
	1341 Due from other governments		2,255.13
	-to record reversal of PY accrual and to reverse out accrual in account that shouldn't be accrued anymore		
20	3130 Sales tax	19,855.18	
	3135 Telecomm Tax Revenue	151.43	
	1341 Due from other governments		20,006.61
	- to reverse out accruals that shouldn't be in the revenue accounts		
21	3120 Prior year property taxes - delinquent	11,186.70	
	3124 Fee-in-lieu of property taxes	8,134.24	
	3110 Property taxes - current		6,722.20
	1341 Due from other governments		12,598.74
	-to record property taxes to match the confirmations		

22	5004 Admin Other	1,319.27	
	1116 Zions Bank - City Bldg Acct		1,319.27
	-to agree cash balance to statement		
23	1311 Accounts receivable	23,750.00	
	2601 Developer Performance Bonds Held		23,750.00
	-to correct negative A/R balance for cust account #12478 MISC		
24	NEW - Bad Debt Expense	12,187.32	
	NEW - Allowance for doubtful accounts		12,187.32
	-to adjust A/R allowance in General Fund		
25	1111 Key Bank (4000)	33,880.20	
	2601 Developer Performance Bonds Held		33,880.20
	-to correct recording of cash transfer as a Deer Waters performance bond.		
26	NEW - Developer Reimbursements	21,641.25	
	1311 Accounts receivable		21,641.25
	-to reverse FY18 subdivision fees no longer collectible.		
		<u>919,486.78</u>	<u>919,486.78</u>

WATER FUND

27	2981 Retained earnings	16,566.17	
	NEW - Allowance for doubtful accounts		16,566.17
	NEW Prepaid Expense	41,102.53	
	2981 Retained earnings		41,102.53
	1640 Machinery & Equipment	10,627.00	
	1610 Water System		261,864.38
	1620 Sewer System		463,084.00
	NEW 1630 Storm Drain System		206,348.07
	1710 Acc Dpn Water System		145,543.56
	1720 AccDpn Sewer System		79,057.29
	1730 AccDpn Storm Drain System		66,666.58
	NEW AccDpn Machinery & Equipment		885.58
	2981 Retained earnings	1,212,822.46	
	2131 Accounts payable	45,000.00	
	1111 Key Bank (4000)		45,000.00
	2981 - Fund balance	1,146.92	
	NEW Wages Payable		1,146.92
	6305 Repairs and Maint - Sewer	1,200.00	
	2981 - Fund balance		1,200.00
	6350 Salaries and wages	2,200.55	
	2981 - Fund balance		2,200.55
	6240 Office expenses	331.32	
	2981 - Fund balance		331.32
	-to adjust beginning retained earnings		

28	6610 Depreciation Expense	2,016.46	
	1710 Acc Dpn Water System		3,124.14
	1720 AccDpn Sewer System	3,979.71	
	1730 AccDpn Storm Drain System		1,353.89
	NEW AccDpn Machinery & Equipment		1,518.14
	-to adjust depreciation expense to depreciation schedule		
29	NEW - Construction in Progress	8,580.25	
	1610 Water System		4,290.13
	1620 Sewer System		4,290.12
	-to reclass public works building as CIP. NOTE: Also adjust on depreciation schedule		
30	1175 Undeposited receipts	2,929.04	
	1111 Key Bank (4000)		2,929.04
	-to allocate undeposited receipts from General Fund to Water Fund		
31	6405 JSSD - Sewer	3,305.55	
	6410 JSSD - Water	20,812.50	
	2131 Accounts payable		24,118.05
	-to accrue June payments to JSSD		
32	5140 Water service	7,884.00	
	2131 Accounts payable		7,884.00
	-to accrue refunds to Community Preservation Assoc.		
33	6140 - Engineering	3,777.50	
	2131 Accounts payable		3,777.50
	-to accrue T-O May engineering services		
34	6350 Salaries and wages	3,592.59	
	NEW - Wages Payable		3,592.59
	-to adjust 2020 wages payable		
35	6250 Operating expenses	3,454.18	
	1311 Accounts receivable		3,454.18
	-to agree A/R Summary with G/L due to opening balance discrepancies		
		<u>1,391,328.73</u>	<u>1,391,328.73</u>

FUND 91 - GOVT'L FIXED ASSETS

36	1640 Machinery & Equipment	8,300.00	
	2910 Invested in Capital Assets	3,088,626.61	
	1690 Roadway Improvements		1,927,979.47
	1720 AccDpn Buildings		8,063.48
	1740 AccDpn Machinery & Equipment		36,582.08
	1790 AccDpn Roadway Improvements		1,124,301.58
	-to adjust balances to depreciation schedule		
		<u>3,096,926.61</u>	<u>3,096,926.61</u>

FUND 95 - GENERAL LONG-TERM DEBT

37	2599 General L-t debt offset	3,448.00	
	NEW - Compensated Absences		3,448.00
	-to adjust compensated absences liability to maximum carryover		
38	2599 General L-t debt offset	4,137.58	
	NEW - 2015 Chevy Lease		4,137.58
	-to record balance of lease as of 6/30/2020.		
39	2501.2 2013 Town Hall Bond Repaid	14,000.00	
	2599 General L-t debt offset		14,000.00
	-to record 2020 principal payment in General L-t debt fund		
		<u>21,585.58</u>	<u>21,585.58</u>