

**HIDEOUT TOWN
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2020**

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7

Basic Financial Statements:

Government Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Governmental Funds Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Proprietary Fund Statements:	
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Notes to the Financial Statements	17-32

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes to Fund Balances Budget and Actual – General Fund	33-34
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Auditors' Reports and Schedule of Findings:

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	35-36
Independent Auditors' Report in Accordance with the State Compliance Audit Guide	37-38
Schedule of Findings	39-40



INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council of
Hideout Town

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Hideout Town, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Hideout Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Hideout Town, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3-7 and 33-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2021, on our consideration of Hideout Town'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 Hideout Town's 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 Hideout Town's internal control over financial reporting and compliance.

Child, Richards CPAs & Advisors

Ogden, Utah
April 1, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

HIDEOUT TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDING JUNE 30, 2020

INTRODUCTION

The following is a discussion and analysis of Hideout Town's financial performance and activities for the fiscal year ending June 30, 2020.

HIGHLIGHTS

Net position of the Town increased by \$23,919. Of this amount, business-type activities increased by \$250,035 and governmental activities decreased by \$226,116.

The assets of Hideout Town exceeded its liabilities and deferred inflows of resources at the end of the current fiscal year by \$12,088,051 (net position). Of this amount, \$1,208,976 (unrestricted net position) is available to meet ongoing obligations to citizens and creditors.

The Town's governmental funds reported a combined ending fund balance of \$373,682, an increase of \$103,195 compared to the prior years' ending amount. Of the combined total fund balance, \$344,966 is available for spending at the discretion of the Town (unrestricted and unassigned fund balance).

The unrestricted and unassigned fund balance of the General Fund at June 30, 2020, totaling \$344,966, is 37% of the General Fund total revenues for the year. The General Fund has \$28,716 of fund balance restricted for specific purposes that will be carried over into the following fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Town's Basic Financial Statements. The Basic Financial Statements includes three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities. These two statements provide a broad overview of the Town's finances. The Statement of Net Position shows the overall net position of the Town. Increases and decreases in net position are one indicator of the Town's overall financial condition. The Statement of Activities helps to identify functions of the Town that are principally supported by taxes and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Hideout Town's business type activities are water.

The fund financial statements provide detailed information about individual major funds and not the Town as a whole. A fund is a group of related accounts that the Town uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the Town's funds are divided into two types. The two types are Governmental Funds and Proprietary Funds.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**HIDEOUT TOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2020**

Hideout Town maintains one individual governmental fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund.

Hideout Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Hideout Town has one Proprietary Fund. The Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services. The Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

There are several differences between Government-Wide and Fund Statements. Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.

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HIDEOUT TOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDING JUNE 30, 2020

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	June 30	June 30	June 30	June 30	June 30	June 30
	2020	2019	2020	2019	2020	2019
Cash	\$ 930,928	\$ 671,690	\$ 509,950	\$ 443,445	\$ 1,440,878	\$ 1,115,135
Other assets	326,112	335,499	412,182	297,806	738,294	633,305
Capital assets	7,321,510	7,678,090	3,975,849	4,159,319	11,297,359	11,837,409
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows	8,578,550	8,685,279	4,897,981	4,900,570	13,476,531	13,585,849
Noncurrent liabilities	454,934	482,203	-	-	454,934	482,203
Other liabilities	735,263	588,648	50,188	302,812	785,451	891,460
Total liabilities	1,190,197	1,070,851	50,188	302,812	1,240,385	1,373,663
Deferred inflows of resources	148,095	148,054	-	-	148,095	148,054
Total liabilities and deferred inflows	1,338,292	1,218,905	50,188	302,812	1,388,480	1,521,717
Net position:						
Net investment in capital assets	6,874,510	7,217,090	3,975,849	4,159,319	10,850,359	11,376,409
Restricted	28,716	28,123	-	-	28,716	28,123
Unrestricted	337,032	221,161	871,944	438,439	1,208,976	659,600
Total net position	<u>\$ 7,240,258</u>	<u>\$ 7,466,374</u>	<u>\$ 4,847,793</u>	<u>\$ 4,597,758</u>	<u>\$ 12,088,051</u>	<u>\$ 12,064,132</u>

The largest component of the Town's net position, 89.8%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net position comprises less than 1% of the total net position and is subject to external restrictions on how they may be used. The remaining 10% of net position is unrestricted and may be used at the Town's discretion to meet its ongoing obligations to citizens and creditors.

HIDEOUT TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDING JUNE 30, 2020

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30	June 30	June 30	June 30	June 30	June 30
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 489,945	\$ 300,298	\$ 1,074,127	\$ 515,386	\$ 1,564,072	\$ 815,684
Operating grants and contributions	77,896	56,657	-	-	77,896	56,657
Capital grants and contributions	61,000	-	-	-	61,000	-
General revenues:						
Property taxes	152,129	64,745	-	-	152,129	64,745
Sales taxes	110,955	100,174	-	-	110,955	100,174
Other taxes	41,435	34,734	-	-	41,435	34,734
Interest	3,277	5,464	3,277	-	6,554	5,464
Other	1,764	6,877	-	-	1,764	6,877
Total revenues	938,401	568,949	1,077,404	515,386	2,015,805	1,084,335
Transfers In (Out)	-	-	-	-	-	-
Total revenues and transfers	938,401	568,949	1,077,404	515,386	2,015,805	1,084,335
Expenses:						
General government	646,541	566,194	-	-	646,541	566,194
Public safety	1,929	1,604	-	-	1,929	1,604
Highways and public improvements	500,522	446,370	-	-	500,522	446,370
Parks and recreation	4,000	4,943	-	-	4,000	4,943
Interest	11,525	20,554	-	-	11,525	20,554
Water	-	-	827,369	461,623	827,369	461,623
Total expenses	1,164,517	1,039,665	827,369	461,623	1,991,886	1,501,288
Change in net position	(226,116)	(470,716)	250,035	53,763	23,919	(416,953)
Net position-beginning	7,466,374	7,937,090	4,597,758	4,543,995	12,064,132	12,481,085
Net position-ending	<u>\$ 7,240,258</u>	<u>\$ 7,466,374</u>	<u>\$ 4,847,793</u>	<u>\$ 4,597,758</u>	<u>\$ 12,088,051</u>	<u>\$ 12,064,132</u>

Governmental Activities

The activities in the governmental funds resulted in a decrease in net position of \$226,116 for the year.

Business-Type Activities

The business-type activities increased net position by \$250,035. The Enterprise Fund is generating sufficient operating revenue to cover operating costs with a small surplus.

HIDEOUT TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDING JUNE 30, 2020

Capital Assets

Hideout Town added \$11,160 in new capital assets in governmental activities and \$8,580 in business-type activities during the fiscal year. This consisted of new machinery and equipment purchases and construction in progress for the Public Works building.

Fund Balances

The fund balance in the General Fund increased by \$103,195. The Net Position in the Enterprise Funds increased by \$250,035.

General Fund Budgets

Hideout Town prepares its budget according to state statutes. The General Fund Budget was adjusted during the year.

Actual General Fund revenues before other financing sources were \$86,476 above the original budget and \$111,476 above the final adjusted budget. Actual General Fund expenditures before transfers were \$16,781 above the original budget and \$49,719 below the final adjusted budget.

ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Hideout Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the Town's finances should be addressed to Hideout Town, 10860 No. Hideout Trail, Hideout, Utah 84036.

BASIC FINANCIAL STATEMENTS

HIDEOUT TOWN
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 902,212	\$ 509,950	\$ 1,412,162
Restricted cash	28,716	-	28,716
Accounts receivable	147,921	371,079	519,000
Due from other governmental units	171,779	-	171,779
Prepaid expenses	6,412	41,103	47,515
Capital assets (net of accumulated depreciation):			
Land	50,000	-	50,000
Construction in progress	2,860	8,580	11,440
Buildings	443,492	-	443,492
Water system	-	1,576,512	1,576,512
Sewer system	-	1,392,035	1,392,035
Storm drain system	-	990,499	990,499
Roadway improvements	6,772,453	-	6,772,453
Machinery & equipment	52,705	8,223	60,928
TOTAL ASSETS	8,578,550	4,897,981	13,476,531
Deferred outflows of resources - pensions	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	8,578,550	4,897,981	13,476,531
LIABILITIES			
Accounts payable	50,383	35,866	86,249
Accrued liabilities	15,386	4,739	20,125
Deposits	669,494	9,583	679,077
Non-current liabilities:			
Due within one year	19,136	-	19,136
Due in more than one year	435,798	-	435,798
TOTAL LIABILITIES	1,190,197	50,188	1,240,385
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	132,354	-	132,354
Unavailable revenue - CARES act funds	15,741	-	15,741
Deferred inflows of resources related to pensions	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	148,095	-	148,095
NET POSITION			
Net investment in capital assets	6,874,510	3,975,849	10,850,359
Restricted for:			
Bond reserves	28,716	-	28,716
Unrestricted	337,032	871,944	1,208,976
TOTAL NET POSITION	\$ 7,240,258	\$ 4,847,793	\$ 12,088,051

The accompanying notes are an integral part of these statements.

HIDEOUT TOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

					Net (Expense) Revenue and Changes in Net Position Primary Government		
FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 646,541	\$ 489,945	\$ -	\$ 61,000	\$ (95,596)	\$ -	\$ (95,596)
Public safety	1,929	-	-	-	(1,929)	-	(1,929)
Highways and improvements	500,522	-	77,896	-	(422,626)	-	(422,626)
Parks and recreation	4,000	-	-	-	(4,000)	-	(4,000)
Interest	11,525	-	-	-	(11,525)	-	(11,525)
Total governmental activities	1,164,517	489,945	77,896	61,000	(535,676)	-	(535,676)
Business-type activities:							
Water	827,369	1,074,127	-	-	-	246,758	246,758
Total business-type activities	827,369	1,074,127	-	-	-	246,758	246,758
Total primary government	\$ 1,991,886	\$ 1,564,072	\$ 77,896	61,000	(535,676)	246,758	(288,918)
General revenues:							
Property taxes					152,129	-	152,129
Sales taxes					110,955	-	110,955
Fees-in-lieu of taxes					2,876	-	2,876
Franchise taxes					38,559	-	38,559
Miscellaneous					1,764	-	1,764
Gain (loss) on sale of asset					-	-	-
Interest earnings					3,277	3,277	6,554
Total general revenues and transfers					309,560	3,277	312,837
Change in net position					(226,116)	250,035	23,919
Net position - beginning					7,466,374	4,597,758	12,064,132
Net position - ending					\$ 7,240,258	\$ 4,847,793	\$ 12,088,051

The accompanying notes are an integral part of these statements.

**HIDEOUT TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 902,212
Restricted cash	28,716
Prepaid expenses	6,412
Accounts receivable	147,921
Due from other governmental units	171,779
Total assets	<u>\$ 1,257,040</u>
LIABILITIES	
Accounts payable	\$ 50,383
Accrued liabilities	15,386
Customer deposits	669,494
Total liabilities	<u>735,263</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - CARES act funds	15,741
Unavailable revenue - property taxes	132,354
Total deferred inflows of resources	<u>148,095</u>
FUND BALANCES	
Nonspendable:	
Prepays	-
Restricted for:	
Class C roads	-
Bond reserves	28,716
Unassigned	344,966
Total fund balances	<u>373,682</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,257,040</u>

The accompanying notes are an integral part of these statements.

HIDEOUT TOWN
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total fund balances - governmental funds:	\$	373,682
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Amounts reported for governmental activities in the Statement of
Net Position is different because:

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

Land	\$	50,000	
Construction in progress		2,860	
Infrastructure		10,004,312	
Buildings		483,809	
Machinery and equipment		214,616	
Accumulated depreciation		<u>(3,434,087)</u>	
			7,321,510

Net pension assets used in governmental activities are not financial resources and , therefore, are not reported in the funds.		-
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Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the fund statements.		-
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Deferred inflows of resources, a use of net position that applies to future periods, is not shown in the fund statements.		-
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Long-term liabilities, including compensated absences are not
due and payable in the current period and therefore are not
reported in the governmental funds, but they are reported in
the Statement of Net Position.

Net pension liability		-	
Building bond		(447,000)	
Lease financing		(4,136)	
Compensated absences		<u>(3,798)</u>	
			<u>(454,934)</u>

Net position of governmental activities	\$	<u><u>7,240,258</u></u>
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HIDEOUT TOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund
REVENUES	
Taxes	
Property taxes	\$ 152,129
Sales taxes	110,955
Fees-in-lieu of taxes	2,876
Franchise taxes	38,559
Licenses and permits	356,156
Charges for services	127,071
Intergovernmental	77,896
Fines and forfeitures	6,718
Miscellaneous revenue	5,041
Total revenues	877,401
EXPENDITURES	
Current	
General government	640,222
Public safety	1,929
Highways and public improvements	152,370
Parks and recreation	4,000
Capital outlay	
General government	8,300
Public safety	-
Highways and public improvements	2,860
Parks and recreation	-
Debt service	
General government	
Principal	14,000
Interest	11,525
Total expenditures	835,206
Excess (deficiency) of revenues over expenditures	42,195
Other financing sources (uses)	
Transfers in	-
Transfers out	-
Contribution from developer	61,000
Total other financing sources and uses	61,000
Net change in fund balances	103,195
Fund balances - beginning of year	270,487
Fund balances - end of year	\$ 373,682

The accompanying notes are an integral part of these statements.

HIDEOUT TOWN

**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, 2020**

Amounts reported for governmental activities in the Statement of

Activities are different because:

Net changes in fund balances - total governmental funds	\$	103,195
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Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions exceeded depreciation in the current period.

Capital outlays	\$	11,160	
Depreciation expense		(367,740)	(356,580)

Donations of capital assets increase net position in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.

Infrastructure	-
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The Statement of Activities includes the net pension benefit (expense) from the adoption of GASB 68, which is not included in the fund financial statements.

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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. This amount is the net effect of these differences in the treatment of long term debt.

Issuance of debt	-
Repayment of debt	25,875

The governmental funds report the proceeds from the sale of assets as revenues, while the government-wide financial statements report the difference between the sale proceeds and the net book value of the assets sold as a gain or loss.

Net book value of assets sold	-
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Some expenses reported in the Statement of Activities do not require use of current financial resources and therefore, are not reported as expenditures in governmental funds.

1,394

Change in net position of governmental activities	\$	(226,116)
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The accompanying notes are an integral part of these statements.

**HIDEOUT TOWN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds
	Water
ASSETS AND DEFERRED OUTFLOWS	
Current assets:	
Cash and cash equivalents	\$ 509,950
Accounts receivable	371,079
Prepaid expense	41,103
Total current assets	922,132
Noncurrent assets:	
Restricted cash and cash equivalents	-
Construction in progress	8,580
Water system	2,239,051
Sewer system	1,954,515
Storm drain system	1,522,398
Machinery & equipment	10,627
Less: accumulated depreciation	(1,759,322)
Total noncurrent assets	3,975,849
Total assets	4,897,981
Deferred outflows of resources - pension	-
Total assets and deferred outflows of resources	4,897,981
LIABILITIES AND DEFERRED INFLOWS	
Current liabilities:	
Accounts payable	35,866
Accrued liabilities	4,739
Customer deposits	9,583
Total current liabilities	50,188
Noncurrent liabilities:	
Net pension liability	-
Total noncurrent liabilities	-
Deferred inflows of resources - pension	-
Total liabilities and deferred inflows of resources	50,188
NET POSITION	
Net investment in capital assets	3,975,849
Unrestricted	871,944
Total net position	\$ 4,847,793

The accompanying notes are an integral part of these statements.

HIDEOUT TOWN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds
	Water
OPERATING REVENUE	
Charges for service	\$ 1,073,122
Other	1,005
Total operating revenue	<u>1,074,127</u>
OPERATING EXPENSES	
Software and technology	600
Water expense	242,469
Sewer fees	40,609
Water reservation fees	55,332
Professional fees	45,779
Repairs and maintenance	49,929
Meters	11,632
Salaries and wages	151,538
Depreciation	192,050
Other expenses	37,431
Total operating expenses	<u>827,369</u>
Operating income (loss)	<u>246,758</u>
NONOPERATING REVENUE (EXPENSES)	
Transfers in	-
Interest revenue	3,277
Total nonoperating revenue	<u>3,277</u>
Income (loss) before contributions	250,035
Capital contributions	-
Change in net position	250,035
Net position - beginning	<u>4,597,758</u>
Net position - ending	<u><u>\$ 4,847,793</u></u>

The accompanying notes are an integral part of these statements.

**HIDEOUT TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds
	Water
Cash Flows From Operating Activities	
Receipts from customers	\$ 961,834
Payments to employees	(147,946)
Payments to suppliers	(742,080)
Net cash from operating activities	71,808
Cash Flows From Noncapital Financing Activities	
Transfers in/out	-
Interfund loan activities	-
Net cash from noncapital financing activities	-
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(8,580)
Proceeds from sale of assets	-
Net cash from capital and related financing	(8,580)
Cash Flows From Investing Activities	
Interest and dividends received	3,277
Net cash from investing activities	3,277
Net increase (decrease in cash and cash equivalents)	66,505
Cash and cash equivalents, July 1	443,445
Cash and cash equivalents, June 30	\$ 509,950
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 246,758
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	192,050
(Increase) decrease in accounts receivable	(114,376)
(Increase) decrease in prepaid expense	-
Increase (decrease) in accounts payable	(258,299)
Increase (decrease) in accrued liabilities	3,592
Increase (decrease) in customer deposits	2,083
Total adjustments	(174,950)
Net cash provided (used) by operating activities	\$ 71,808
Noncash Investing, Capital and Financing Activities:	
Contributed capital assets from developers	\$ -

The accompanying notes are an integral part of these statements.

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Hideout Town, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Town has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

The Town of Hideout (the Town) was incorporated in 2008 under the laws of the state of Utah. The Town operates by ordinance under the Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police), highway and streets, sanitation, recreation, public improvements, planning and zoning, and general administration. In addition, the Town owns and operates water utilities.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards board (GASB). Under GASB Statement No. 61, The Financial Reporting Entity, the financial reporting entity consists of the primary government and no component units.

B. Government-wide and Fund Financial Statements

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Town has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*. Accordingly, the Town has elected to apply all applicable GASB pronouncements and codified accounting standards issued by GASB. The more significant accounting policies established in GAAP and used by the Town are discussed below.

The Town's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the Town as a whole, while the fund statements focus on individual funds.

Government-wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Position* presents the Town's non-fiduciary assets and liabilities, with the difference reported as net position. Net position are restricted when constraints placed upon them are either externally imposed or are

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The Town does not allocate general government (indirect) expenses to other functions. 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; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The financial transactions of the Town are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Statements are provided for *governmental funds* and for *proprietary funds*. For governmental and proprietary funds, the emphasis is on *major funds*, with each displayed in a separate column.

The Town reports the following major governmental funds:

General Fund - This fund is the principal operating fund of the Town. It is used to account for all financial resources not required to be accounted for in another fund.

The Town reports the following major proprietary funds:

Water Fund - The water fund is used to account for operations of the water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

D. Assets, Liabilities, and Fund Balances/Net Position

The following are the Town's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the Town Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The Town Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The Town considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

No significant inventories are maintained by the Town; therefore, none are reflected in these statements.

Restricted Assets

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

Capital Assets

General capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures.

Capital assets are reported in the governmental column in the government-wide financial statements. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed are capitalized. The Town currently has infrastructure assets recorded.

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Position (Continued)

Capital Assets (Continued)

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings & Improvements	60 years
Water System & Equipment	30 years
Machinery & Equipment	7-10 years
Infrastructure	30 years

Deferred Outflows 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have an item that qualifies for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item reported under this category. Unavailable revenue-property taxes are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These amounts are reported in both the government-wide statements and the governmental fund statements.

Long-term Obligations

In the government-wide statements, long-term debt obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

Equity

Fund financial statements

In February 2009, GASB issued Statement No. 54 on Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2010. The statement applies only to governmental fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The governmental fund balances may be classified as follows:

- a. Non-spendable - Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Position (Continued)

Equity, continued

- b. Restricted fund balance - Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provision or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- c. Committed fund balance - Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the Town Council likewise formally changes the use.
- d. Assigned fund balance - Fund balances are reported as assigned when the Town Council or Management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance - Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless Town Council has provided otherwise in its commitment or assignment actions.

Government-wide statements:

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

It is Town's policy to first apply restricted resources when the expense is incurred for purposes for which both restricted and unrestricted net position are available.

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues and Expenditures

The following are the Town's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

Revenue Availability

Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The Town considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues are considered to be available if they are collected within 60 days after year-end.

Statement of Governmental Accounting Standards (SGAS) No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), the Town has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred inflows or resources for the assessed amount of those property taxes as of January 1 of the current year.

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

F. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All annual appropriations lapse at the fiscal year end. Encumbrance accounting is not used by the Town. Summary of Town Budget Procedures and Calendar:

1. The Town Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the State of Utah for both the General and Special Revenue Funds.
3. Each year the Town publishes a separate budget document prepared according to this legal level of control.
4. The Town's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the Town Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the Town offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the Council after the public hearing.
9. Occasionally the Town Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.
11. In connection with budget adoption:

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting, continued

- a. An annual tax ordinance establishing the property tax rate is adopted before June 22.
 - b. The Town Treasurer is to certify the property tax rate to the County Auditor before June 22.
12. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Summary of Action Required for Budget Changes:

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution.

Fund budgets may be increased by resolution after a public hearing.

G. Contributions

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

H. Compensated Absences

Town policy provides for vested or accumulated vacation leave. All compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Restricted Resources

The Town's policy is to use restricted resources first to fund appropriations when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits & Investments

The Town maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by some of the Town's funds. Deposits are not collateralized nor are they required to be by State statute.

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The Town follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of Town funds in a “qualified depository”.

The Act defines a “qualified depository” as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2020, \$1,277,860 of the Town’s bank balances of \$1,636,177 was uninsured and uncollateralized.

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 Town follows the requirements of the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act defines the types of securities authorized as appropriate investments for the Town’s funds 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.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations; 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 Money Management Act; and the Utah State Public Treasurers’ Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code*, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, 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.

Fair Value of Investments

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At June 30, 2020, the Town had the following recurring fair value measurements:

	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Utah Public Treasurer's Investment Fund	\$ 289,905	\$ -	\$ 289,905	\$ -
Total debt securities	\$ 289,905	\$ -	\$ 289,905	\$ -

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the June 30, 2020 fair value factor, as calculated by the Utah State Treasurer, to the Town's average daily balance in the Fund; and,

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town'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 Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2020, the Town's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
PTIF Investments	289,905	289,905	-	-	-
	289,905	289,905	-	-	-

Credit Risk

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

At June 30, 2020, the Town's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
PTIF Investments	289,905	-	-	-	289,905
	289,905	-	-	-	289,905

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk.

The Town's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Cash on hand and on deposit:	
Cash on deposit	\$ 1,150,873
Petty cash	100
PTIF investment	289,905
Total cash and investments	<u>\$ 1,440,878</u>

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments are included in the accompanying combined statement of net position as follows:

Unrestricted Cash	\$ 1,412,162
Restricted Cash for:	
Bond reserves	28,716
Total cash and investments	<u>\$ 1,440,878</u>

NOTE 3 – DISAGGREGATED RECEIVABLES AND PAYABLES

The table below disaggregates the balances due from other government units and amounts reported as accounts receivable on the statement of net position under governmental activities. The receivables in the business-type activities are all due from customers for utility services provided.

Governmental Activities:	Due from government units	Accounts Receivable	Total
Receivables:			
Utah State Tax Commission	\$ 10,424	\$ -	\$ 10,424
Utah Department of Transportation	11,422	-	11,422
County - Current Property Taxes	15,583	-	15,583
Taxpayers - Unavailable Taxes	134,350	-	134,350
Business - Franchise Tax	-	2,734	2,734
Customers	-	366,004	366,004
Other Receivables	-	181,854	181,854
Gross receivables	171,779	550,592	722,371
Less: Allowance for uncollectibles	-	(31,592)	(31,592)
Net total receivables	<u>\$ 171,779</u>	<u>\$ 519,000</u>	<u>\$ 690,779</u>

	Accounts Payable Due To:		
	Other Governments	Vendors	Total
General Fund	\$ -	\$ 50,383	\$ 50,383
Water Fund	24,118	11,748	35,866
Total	<u>\$ 24,118</u>	<u>\$ 62,131</u>	<u>\$ 86,249</u>

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, was as follows:

	Balance June 30, 2019	Additions	(Deletions)	Balance June 30, 2020
GOVERNMENTAL ACTIVITIES				
Nondepreciated Assets				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	-	2,860	-	2,860
Total nondepreciated assets	50,000	2,860	-	52,860
Depreciated Assets				
Infrastructure	10,004,312	-	-	10,004,312
Improvements	-	-	-	-
Buildings	483,809	-	-	483,809
Machinery and equipment	206,316	8,300	-	214,616
Total depreciated assets	10,694,437	8,300	-	10,702,737
Less accumulated depreciation				
Infrastructure	(2,898,383)	(333,477)	-	(3,231,860)
Improvements	-	-	-	-
Buildings	(32,253)	(8,063)	-	(40,316)
Machinery and equipment	(135,711)	(26,200)	-	(161,911)
Total accumulated depreciation	(3,066,347)	(367,740)	-	(3,434,087)
Net assets depreciated	7,628,090	(359,440)	-	7,268,650
Governmental activities capital assets, net	\$ 7,678,090	\$ (356,580)	\$ -	\$ 7,321,510

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES	Balance June 30, 2019	Additions	(Deletions)	Balance June 30, 2020
Nondepreciated Assets				
Construction in progress	\$ -	\$ 8,580	\$ -	\$ 8,580
	-	8,580	-	8,580
Depreciated Assets				
Water system	2,239,051	-	-	2,239,051
Sewer system	1,954,515	-	-	1,954,515
Storm drain system	1,522,398	-	-	1,522,398
Machinery & equipment	10,627	-	-	10,627
Total depreciated assets	5,726,591	-	-	5,726,591
Less accumulated depreciation				
Water system	(587,904)	(74,635)	-	(662,539)
Sewer system	(497,330)	(65,150)	-	(562,480)
Storm drain system	(481,152)	(50,747)	-	(531,899)
Machinery & equipment	(886)	(1,518)	-	(2,404)
Total	(979,368)	(192,050)	-	(1,759,322)
Net assets depreciated	4,747,223	(192,050)	-	3,967,269
Business-type activities capital assets, net	\$ 4,747,223	\$ (183,470)	\$ -	\$ 3,975,849

DEPRECIATION EXPENSE

	Governmental Types	Business Types	Totals
General Government	\$ 8,063	\$ -	\$ 8,063
Public Safety	-	-	-
Highways & Improvements	359,677	-	359,677
Parks & Recreation	-	-	-
Water System	-	76,153	76,153
Sewer System	-	65,150	65,150
Storm Drain System	-	50,747	50,747
Total	\$ 367,740	\$ 192,050	\$ 559,790

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2020, was as follows:

Description	Interest Rate	Outstanding 6/30/2019	Additions	Payments	Outstanding 6/30/2020	Current Portion
GOVERNMENTAL ACTIVITIES						
Building bond	2.5%	\$ 461,000	\$ -	\$ (14,000)	\$ 447,000	\$ 15,000
Capital Lease		16,011	-	(11,875)	4,136	4,136
Compensated Absences	N/A	5,192	-	(1,394)	3,798	-
TOTAL GOVERNMENTAL		<u>\$ 109,480</u>	<u>\$ -</u>	<u>\$ (27,269)</u>	<u>\$ 454,934</u>	<u>\$ 19,136</u>

Lease Revenue Bonds, Series 2011 - On November 15, 2011, the Town Council authorized the issuance of interest-bearing revenue bonds in the amount of \$540,000. The purpose of the bond issue was to defray a portion of the cost of the town hall project. As of June 30, 2020, \$540,000 had been issued and \$447,000 is outstanding. The bonds have an interest rate which is set at 2.50%. The annual requirement to amortize this debt is as follows:

Year	Principal	Interest	Total
2021	15,000	11,175	26,175
2022	15,000	10,800	25,800
2023	15,000	10,425	25,425
2024	16,000	10,050	26,050
2025	16,000	9,650	25,650
2025-2029	87,000	41,975	128,975
2030-2034	99,000	30,550	129,550
2035-2039	111,000	17,575	128,575
2040-2043	73,000	3,650	76,650
	<u>\$ 447,000</u>	<u>\$ 145,850</u>	<u>\$ 592,850</u>

Capital Lease - The Town entered a lease-to-own agreement on October 12, 2015 for a 2015 Chevrolet Silverado. The Town paid \$0 up front. The following is a summary of the future minimum payments for the year ended June 30:

Year	Principal	Interest	Total
2021	4,136	59	4,195
	<u>\$ 4,136</u>	<u>\$ 59</u>	<u>\$ 4,195</u>

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – BOND RESOLUTION COMPLIANCE

Series 2011 Lease Revenue Bonds

The Series 2000 Sewer Revenue Bonds issuance provides for the establishment of the following funds:

1. Beginning October 1, 2012, and on the first day of each subsequent month, the Town is required to reserve \$365 until such time as the aggregate reserve equals \$26,250. This Reserve Account shall be used to fund the lease revenue bond redemption fund in the event it is in a deficit position. The balance in this account at June 30, 2020 was \$28,716.

NOTE 7 - RISK MANAGEMENT

Hideout Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2020, there is no anticipation of unpaid claims. Therefore, a liability is not accrued.

NOTE 8 - AMOUNT TO BE PROVIDED FOR COMPENSATED ABSENCES

The accumulated unpaid vacation time which would be paid if employees terminated employment June 30, 2020 was \$3,798.

NOTE 9 - PROPERTY TAX CALENDAR

Lien date	Jan. 1
Taxing entity notifies the county of date, time, and place of public hearing	Mar. 1
Budget officer of the entity prepares and files with the Town Council a tentative budget for the next fiscal year	1 st scheduled council meeting in May
County auditor sends valuation certified tax rate and levy worksheets to each taxing entity	Jun. 8
Taxing entity must adopt a proposed tax rate, certify the rate and levy, and submit to the county auditor	Before Jun. 22
Taxing entity adopts a final tax rate if there is no increase in certified tax rate	Jun.22
Taxing entity adopts final budget if there is no increase in certified tax rate	Jun. 22
Copy of the budget is submitted to state auditor within 30 days of adoption Payment and delinquency date	Nov. 30

HIDEOUT TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Town is required to keep actual expenditures below budget appropriations by fund. For the year ended June 30, 2020 expenditures in the General Government Department exceeded appropriations by \$20,722; however, the Town was under budget in the General Fund in total by \$49,719. Expenses in the Water fund exceed budgeted amounts by \$83,622.

The Town is also required to maintain positive fund balances in each fund and has complied with this requirement.

NOTE 11 - SUBSEQUENT EVENTS

No significant subsequent events have occurred since the date of the financial statements through April 1, 2021, which is the financial statement issuance date.

REQUIRED SUPPLEMENTARY INFORMATION

HIDEOUT TOWN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 122,525	\$ 127,525	\$ 152,129	\$ 24,604
Sales taxes	96,000	116,000	110,955	(5,045)
Fees-in-lieu of taxes	1,000	1,000	2,876	1,876
Franchise taxes	40,500	40,500	38,559	(1,941)
Licenses and permits	430,400	430,400	356,156	(74,244)
Fines and forfeitures	1,000	1,000	6,718	5,718
Charges for services	-	-	127,071	127,071
Intergovernmental revenue	72,500	72,500	77,896	5,396
Miscellaneous revenue	2,000	2,000	5,041	3,041
TOTAL REVENUES	765,925	790,925	877,401	86,476
EXPENDITURES				
General government:				
Administrative	215,800	235,300	219,857	15,443
Other professional services	320,500	392,500	428,665	(36,165)
Total general government	536,300	627,800	648,522	(20,722)
Public safety:				
Police department	32,100	7,100	1,929	5,171
Total public safety	32,100	7,100	1,929	5,171
Streets:				
Equipment lease	26,000	26,000	17,918	8,082
Insurance	-	-	1,044	(1,044)
Repair and maintenance	115,500	115,500	76,722	38,778
Wages	78,000	78,000	59,546	18,454
Total highways and streets	219,500	219,500	155,230	64,270

HIDEOUT TOWN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES (Continued)				
Parks and recreation:				
Parks and recreation	\$ 5,000	\$ 5,000	\$ 4,000	\$ 1,000
Total parks and recreation	<u>5,000</u>	<u>5,000</u>	<u>4,000</u>	<u>1,000</u>
Debt service:				
General government				
Principal	14,000	14,000	14,000	-
Interest	11,525	11,525	11,525	-
Total debt service	<u>25,525</u>	<u>25,525</u>	<u>25,525</u>	<u>-</u>
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>818,425</u>	<u>884,925</u>	<u>835,206</u>	<u>49,719</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(52,500)</u>	<u>(94,000)</u>	<u>42,195</u>	<u>136,195</u>
OTHER FINANCING SOURCES (USES)				
Appropriations from fund balance	52,500	94,000	-	(94,000)
Contribution from developer	-	-	61,000	61,000
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>52,500</u>	<u>94,000</u>	<u>61,000</u>	<u>(33,000)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>-</u>	<u>-</u>	<u>103,195</u>	<u>103,195</u>
Fund balance - July 1	<u>588,702</u>	<u>588,702</u>	<u>270,487</u>	<u>318,215</u>
Fund balance - June 30	<u>\$ 588,702</u>	<u>\$ 588,702</u>	<u>\$ 373,682</u>	<u>\$ 421,410</u>

AUDITOR'S REPORTS & FINDINGS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Mayor and Council of
Hideout Town

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, and each major fund of Hideout Town, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Hideout Town's basic financial statements, and have issued our report thereon dated April 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hideout Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hideout Town's internal control. Accordingly, we do not express an opinion on the effectiveness of Hideout Town'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies. Those deficiencies are listed as finding 2020-02.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. Those deficiencies are listed as findings 2020-1 and 2020-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hideout Town'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2020-04.

Management's Response to Findings

Hideout Town's response to the findings identified in our audit is described in the accompanying schedule of findings. Hideout Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Child, Richards CPAs & Advisors

April 1, 2021



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

To the Mayor and Council of
Hideout Town

Report On Compliance

We have audited Hideout Town’s compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on Hideout Town for the year ended June 30, 2020.

State compliance requirements were tested for the year ended June 30, 2020 in the following areas:

Budgetary Compliance	Open and Public Meetings Act
Fund Balance	Fraud Risk Assessment
Restricted Taxes and Related Revenues	

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of Hideout Town’s compliance with those requirements.

Opinion on Compliance

In our opinion, Hideout Town complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2020.

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 as item 2020-04. Our opinion on compliance is not modified with respect to these matters.

Hideout Town's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings. Hideout Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

Management of Hideout Town is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hideout Town's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hideout Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct noncompliance with a state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Child, Richards CPAs & Advisors

Ogden, Utah
April 1, 2021

**HIDEOUT TOWN
SCHEDULE OF FINDINGS
JUNE 30, 2020**

2020-01: Material Misstatements (material weakness)

Criteria: Management is responsible to maintain accurate financial reporting for the usefulness of management and the governing board.

Condition: The auditors identified several factors including various year-end adjustments, reclassifying entries, and reconciliations that had not been performed at the time of the audit resulting in the need for several adjustments to be made by management as proposed by the auditors during the audit process.

Cause: As of June 30, 2020, the Town's internal controls were not properly designed and implemented to maintain financial statements free of material misstatements.

Effect: The lack of timely adjustments and reconciliations has resulted in misstatements in the general ledger. The Town's revenues and expenditures were misstated prior to adjustments made by the auditor.

Recommendation: We recommend the Town perform monthly and year end adjusting entries and account reconciliations to ensure financial reports of the Town accurately reflect the assets, liabilities, revenues, and expenditures of the Town.

Management's Response: The Treasurer will review the financials monthly and make adjusting entries at that time to keep up throughout the year. The impact of Covid prevented staff from interacting in a normal environment. This should improve this year.

2020-02: Inadequate Approval, Documentation, and Coding of Disbursements (significant weakness)

Criteria: Disbursement of town funds should be approved, supported by adequate documentation, and properly recorded.

Condition: During our testwork of 25 disbursement samples, we noted the following: 1) Six transactions did not have approving initials and/or signatures indicating the transaction was reviewed and approved, 2) Two transactions did not have a supporting invoice, and 3) Four transactions were improperly coded as liabilities rather than expenditures.

Cause: Inadequate approval and documentation at Hideout Town occurred due to the small size of staff and rotation of duties necessary to follow current pandemic guidelines.

Effect: If disbursements are not properly approved and adequately documented, the misappropriation of funds could occur without detection. Improper coding could result in inaccurate financial reporting.

Recommendation: We recommend the Town ensure that all disbursements are adequately supported by documentation and are properly approved and evidenced by initials and/or signatures. We also recommend the Town properly code disbursements as expenditures including amounts that are subsequently billed to developers for reimbursement.

Management's Response: Administration will develop procedures for ensuring that documentation is kept and filed as necessary. Referring to the files will help ensure that the disbursements are recorded more accurately as there will be something to refer to. Management will also look to have signed payment approvals prior to issuing a check.

**HIDEOUT TOWN
SCHEDULE OF FINDINGS
JUNE 30, 2020**

2020-03: Inadequate Separation of Duties over Cash Receipts and Cash Disbursements (*material weakness*)

Criteria: A separation of duties and/or mitigating controls should exist to provide controls over cash receipts and disbursements.

Condition: The following separation of duties conflicts were noted at the Town of Hideout: 1) The Town Administrator has access to checks, records transactions in the general ledger, and reviews and signs the final checks, 2) The Town Administrator has access to a credit card, enters transactions in the general ledger, and reviews processed transactions, 3) The Finance Director is able to make bank transfers, has access to the general ledger, reviews bank transfers, and performs bank reconciliations, and 4) The Town Administrator has access to cash, records transactions and the general ledger, and reviews processed transactions.

Cause: Inadequate separation of duties at Hideout Town occurred due to the small size of staff.

Effect: If proper separation of duties and/or mitigating controls do not exist, the misappropriation of funds could occur without detection.

Recommendation: We recommend the Town implement the following mitigating controls: 1) The Finance Director review cancelled checks and track the sequential order of checks as part of bank reconciliation procedures, 2) The Finance Director compare credit card receipts to the credit card statements, 3) The Town Administrator review bank transfers on a regular basis, and 4) The Finance Director review adjustments to customer accounts on a regular basis.

Management's Response: Management lost staff and began working remotely due to the Covid pandemic. Typical procedures were suspended due to limitations based on Covid and the ability to work together in close proximity. Management will take the recommendations of the auditor and create the checks and balances proposed. The Treasurer will review the checks as part of the reconciliation process and review receipts and compare them to the credit card statements. The Treasurer will review the transfers on a monthly basis. The Treasurer will review the customer accounts monthly. Hideout is also looking to restructure its employment slightly and hire additional help which could help with the Separation of Duties.

2020-04: State Compliance – Budgetary Noncompliance (*noncompliance*)

Criteria: Per Utah Code Ann. §10-5-115, towns may not make or incur expenditures in excess of total appropriations for any department in the budget as adopted or as subsequently amended.

Condition: For the year ended June 30, 2020, expenditures in the General Government department were in excess of appropriations by \$20,722. Water Fund expenses also exceeded budgeted amounts by \$83,622.

Cause: The lack of timely account adjustments and reconciliations impaired the Town's ability to accurately review budgeted to actual amounts.

Effect: When accurate budgets are not reviewed, noncompliance with state law can occur.

Recommendation: We recommend the Town Council review accurate budget to actual reports and ensure expenditures do not exceed appropriations.

Management's Response: The Town Council will review the budget and financial reports monthly.
