

LEWISTON CITY

Financial Statements

For the Year Ended June 30, 2025

DRAFT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Lewiston, Utah

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lewiston, Utah, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Lewiston, Utah's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lewiston, Utah, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of City of Lewiston, Utah, and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about City of Lewiston, Utah's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Lewiston, Utah's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Lewiston, Utah's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical

context. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with managements responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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MATTHEW REGEN, CPA, PC

Logan, Utah
December 16, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lewiston City (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- During the year 2025 the total net position of the City increased by \$985,619 to a total of \$15,653,432. The governmental net position increased by \$662,420 and the business-type net position increased by \$323,199.
- The total net position (government and business-type activities) of the City consists of \$9,040,313 in capital assets, net of related debt, \$438,478 in restricted net assets and \$6,174,641 in unrestricted net assets.
- The total long-term liabilities of the City decreased by \$8,687,056 during the fiscal year 2025.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

- *The statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, there will also be a need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges

(business-type activities). The governmental activities of the City include general government, public safety, parks and recreation, and public works. The business-type activities of the City include the water and sewer utilities. The government-wide financial statements can be found on pages 12 and 13 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the city's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The City has several non-major funds.

- **Proprietary funds** - The City maintains two proprietary funds, both enterprise funds, to account for its water and sewer utility operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Water Fund and Sewer Fund both meet the criteria for major fund classification.
- **Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City currently has no fiduciary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$15,653,432.

By far, the largest portion of the City's net position (58 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules present summarized information from the Statement of Net Position and the Statement of Activities:

STATEMENT OF NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 3,363,284	2,669,772	2,277,588	4,128,053	13,444,925	6,624,927
Capital assets	<u>2,194,281</u>	<u>2,288,908</u>	<u>2,508,642</u>	<u>15,229,990</u>	<u>14,868,416</u>	<u>10,008,701</u>
Total assets	5,557,565	4,958,680	4,786,230	19,358,043	28,313,341	16,633,628
Deferred outflows—Pensions	63,159	41,373	39,782	27,068	15,756	13,701
Current liabilities	308,383	249,668	121,762	399,977	237,753	233,074
Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,226,304</u>	<u>20,643,354</u>	<u>8,807,404</u>
Total liabilities	308,383	249,668	121,762	8,934,664	20,881,107	9,040,478
Deferred inflows – Property taxes	416,977	416,977	401,977	-	-	-
Deferred inflows - Pensions	<u>533</u>	<u>100,997</u>	<u>99,406</u>	<u>229</u>	<u>24,7475</u>	<u>23,595</u>
Total deferred inflows	417,510	517,974	501,383	229	24,775	23,595
Invested in capital assets, net of debt	2,194,281	2,288,908	2,508,642	6,846,032	(5,926,188)	9,317,614
Restricted	438,478	228,985	383,285	-	-	-
Unrestricted	<u>2,262,072</u>	<u>1,714,518</u>	<u>1,310,940</u>	<u>3,912,569</u>	<u>13,349,403</u>	<u>(1,734,358)</u>
Total net position, as restated	\$ <u>4,894,831</u>	<u>4,232,411</u>	<u>4,202,867</u>	<u>10,758,601</u>	<u>7,423,215</u>	<u>7,583,256</u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Revenues:						
Program revenues:						
Charges for services	\$ 500,562	474,417	543,713	1,419,463	1,072,717	2,004,002
Operating grants	262,012	241,758	257,393	-	-	49,875
Capital grants	-	-	124,897	-	-	-
General revenues:						
Property taxes	508,961	468,706	509,676	-	-	-
Sales and use taxes	502,360	482,933	548,548	-	-	-
Franchise taxes	48,532	9,080	8,248	-	-	-
Other revenues	<u>16,743</u>	<u>9,095</u>	<u>5,533</u>	<u>99,511</u>	<u>191,158</u>	<u>225,632</u>
Total revenues	1,839,170	1,685,989	1,998,008	1,518,974	1,263,875	2,279,509
Expenses:						
General government	248,923	531,566	539,331	-	-	-
Public safety	126,561	135,284	110,407	-	-	-
Streets and public impr.	309,796	363,130	490,629	-	-	-
Sanitation	155,433	208,920	191,617	-	-	-
Parks and recreation	336,037	417,545	265,546	-	-	-
Interest on LTD	-	-	-	-	-	-
Water utility	-	-	-	998,664	1,169,345	778,301
Sewer utility	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,111</u>	<u>254,571</u>	<u>185,812</u>
Total expenses	<u>1,176,750</u>	<u>1,656,445</u>	<u>1,597,530</u>	<u>1,195,775</u>	<u>1,423,916</u>	<u>964,113</u>
Change in net position	662,420	29,544	400,478	323,199	(160,041)	1,315,396
Net position – beginning,	<u>4,232,411</u>	<u>4,202,867</u>	<u>3,802,389</u>	<u>10,435,402</u>	<u>7,583,256</u>	<u>6,267,860</u>
Net position – ending	\$ <u><u>4,894,831</u></u>	<u><u>4,232,411</u></u>	<u><u>4,202,867</u></u>	<u><u>10,758,601</u></u>	<u><u>7,423,215</u></u>	<u><u>7,583,256</u></u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The financial reporting focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,683,195, an increase of \$542,196 from the prior year. Of this total amount \$630,648 constitutes unassigned fund balance, which is available to meet the future

financial needs of the City. The remainder of the fund balance is restricted for the perpetual care of the cemetery and assigned by the Council for capital projects.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 58 percent of total general fund revenues. The two largest elements of taxes are property taxes and sales taxes. Combined, they represent 95 percent of total tax revenues and 55 percent of total general fund revenues.

The City maintains enterprise funds to account for the business-type activities of the City, namely the water and sewer utilities. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the current fiscal year the General Fund budget for revenues was \$1,542,452. The actual revenue was \$1,824,351. This resulted in a favorable variance of \$281,899 for revenue. The General Fund budget for expenditures was \$1,542,452. The actual expenditures were \$1,295,478. This resulted in a favorable variance for \$246,974 for expenditures. Overall, the City had a favorable variance for the excess of revenues over expenditures of \$528,873.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to \$17,424,271 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads and infrastructure (streets, sidewalks, curb and gutter, etc.). The net increase in the City's investment in capital assets for the current fiscal year was \$927,567 and depreciation expense was \$660,621

Major capital assets purchased during the fiscal year included the following:

- Sewer system upgrade
- Culinary system upgrade
- Equipment and building improvements

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt – At June 30, 2025, the City had total debt outstanding of \$8,526,032 which is a note payable for sewer revenue bond and a note payable for sales tax revenue bond. Additional information on the outstanding debt obligations of the City can be found in the footnotes to this financial report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Lewiston City, 29 South Main, P.O. Box 36, Lewiston, Utah, 84320.

BASIC FINANCIAL STATEMENTS

LEWISTON CITY
STATEMENT OF NET POSITION
JUNE 30, 2025

<u>Assets</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Pooled cash and cash equivalents	\$ 2,473,152	3,973,422	6,446,574
Receivables, net	890,132	154,631	1,044,763
Fixed assets, net	2,194,281	15,229,990	17,424,271
Total assets	5,557,565	19,358,043	24,915,608
<u>Deferred Outflows of Resources</u>			
Deferred outflows - Pensions	63,159	27,068	90,227
<u>Liabilities</u>			
Liabilities:			
Accounts payable and accrued expenses	263,113	80,848	343,961
Bonds payable:			
Due within one year	-	299,728	299,728
Due within more than one year	-	8,226,304	8,226,304
Net pension liability	45,270	19,401	64,671
Total liabilities	308,383	8,626,281	8,934,664
<u>Deferred Inflows of Resources</u>			
Deferred inflows - Property taxes	416,977	-	416,977
Deferred inflows - Pensions	533	229	762
Total deferred inflows	417,510	229	417,739
<u>Net Position</u>			
Investments in capital assets, net of related debt	2,194,281	6,846,032	9,040,313
Restricted:	438,478	-	438,478
Unrestricted	2,262,072	3,912,569	6,174,641
Total net position	\$ 4,894,831	10,758,601	15,653,432

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

LEWISTON CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
General government	\$	248,923	-	-	(83,024)	-	(83,024)
Parks and recreation		336,037	45,684	-	(177,404)	-	(177,404)
Sanitation		155,433	-	-	41,759	-	41,759
Streets and public improvements		309,796	213,754	-	(96,042)	-	(96,042)
Public safety		126,561	2,574	-	(99,465)	-	(99,465)
Total governmental activities		1,176,750	262,012	-	(414,176)	-	(414,176)
Business-type activities:							
Water fund		998,664	-	-	-	(294,941)	(294,941)
Sewer fund		197,111	-	-	-	518,629	518,629
Total business-type activities		1,195,775	-	-	-	223,688	223,688
Total primary government	\$	2,372,525	262,012	-	(414,176)	223,688	(190,488)
General revenues:							
Taxes:							
Property tax					508,961	-	508,961
Sales and use tax					502,360	-	502,360
Franchise and other taxes					48,532	-	48,532
Total taxes					1,059,853	-	1,059,853
Interest income					16,743	99,511	116,254
Total general revenues					1,076,596	99,511	1,176,107
Change in net position					662,420	323,199	985,619
Net position - beginning					4,232,411	10,435,402	14,667,813
Net position - ending				\$	4,894,831	10,758,601	15,653,432

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

LEWISTON CITY
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2025

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Pooled cash and cash equivalents	\$ 845,638	1,491,820	135,694	2,473,152
Receivables, net	890,132	-	-	890,132
Other assets	-	-	-	-
Total assets	<u>1,735,771</u>	<u>1,491,820</u>	<u>135,694</u>	<u>3,363,285</u>
<u>Liabilities, Deferred Inflows of Resources & Fund Balance</u>				
Liabilities:				
Accounts payable and accrued liabilities	249,668	13,445	-	263,113
Bonds payable:				
Due within one year	-	-	-	-
Due within more than one year	-	-	-	-
Deferred inflows of resources	<u>416,977</u>	<u>-</u>	<u>-</u>	<u>416,977</u>
Total liabilities & deferred inflows	<u>666,645</u>	<u>13,445</u>	<u>-</u>	<u>680,090</u>
Fund balance:				
Restricted for:				
Capital outlay	438,478	1,478,375	135,694	2,052,547
Assigned for:				
Capital outlay	-	-	-	-
Unassigned	<u>630,648</u>	<u>-</u>	<u>-</u>	<u>630,648</u>
Total fund balance	<u>1,069,126</u>	<u>1,478,375</u>	<u>135,694</u>	<u>2,683,195</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,735,771</u>	<u>1,491,820</u>	<u>135,694</u>	<u>3,363,285</u>

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

LEWISTON CITY
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balance for governmental funds	\$	2,683,195
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Net position is different because:

The net pension liability, deferred outflows and inflows of resources related to pensions are not reported in the funds.

Deferred outflows of resources - pensions	\$	63,159	
Deferred inflows of resources - pensions		(533)	
Net pension liability		(45,270)	17,357

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

Land	\$	220,876	
Buildings		1,774,439	
Equipment		1,781,534	
Infrastructure		2,040,781	
Accumulated depreciation		(3,623,350)	2,194,280

Net position of governmental activities	\$	4,894,831
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The accompanying notes are an integral part of these financial statements.

LEWISTON CITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,059,853	-	-	1,059,853
Intergovernmental	246,623	-	-	246,623
Charges for services	327,534	-	14,825	342,359
Miscellaneous revenues	86,092	-	-	86,092
Licenses and permits	104,032	-	-	104,032
Fines and forfeitures	217	-	-	217
Total revenues	<u>1,824,351</u>	<u>-</u>	<u>14,825</u>	<u>1,839,176</u>
Expenditures:				
General government	446,861	-	-	446,861
Streets and public improvements	288,552	-	-	288,552
Parks and recreation	296,435	-	1,502	297,937
Sanitation	155,433	-	-	155,433
Public safety	108,197	-	-	108,197
Total expenditures	<u>1,295,478</u>	<u>-</u>	<u>1,502</u>	<u>1,296,980</u>
Excess (deficiency) of revenues over expenditures	<u>528,873</u>	<u>-</u>	<u>13,323</u>	<u>542,196</u>
Other financing sources:				
Transfers in (out)	<u>(212,128)</u>	<u>212,128</u>	<u>-</u>	<u>-</u>
Total other financing uses	<u>(212,128)</u>	<u>212,128</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing uses over expenditures and other financing uses	316,745	212,128	13,323	542,196
Fund balance - beginning of year	<u>752,381</u>	<u>1,266,247</u>	<u>122,371</u>	<u>2,140,999</u>
Fund balance - end of year	<u>\$ 1,069,126</u>	<u>1,478,375</u>	<u>135,694</u>	<u>2,683,195</u>

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

LEWISTON CITY
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, 2025

Net change in fund balance - Total governmental funds	\$	542,196
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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 as depreciation expense.
This is the amount by which depreciation expense of \$222,374 exceeded
capital outlays of \$127,746 in the current year.

		94,628
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The net effect of transactions involving net pension liability and
deferred outflows and inflows of resources related to pensions,
are not recorded in the governmental funds, but are reported in the
Statement of Activities.

Deferred outflows - pensions	\$	8,379	
Deferred inflows - pensions		(5,893)	
Change in pension expense		23,110	25,596

Change in net position of governmental activities	\$	662,420
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The accompanying notes are an integral part of these financial statements.

LEWISTON CITY
STATEMENT OF NET POSITION -
PROPRIETARY FUND
JUNE 30, 2025

<u>Assets</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Business- Type Activities</u>
Pooled cash and cash equivalents	\$ 2,898,403	1,075,019	3,973,422
Receivables, net	121,755	32,876	154,631
Fixed assets, net	<u>11,152,438</u>	<u>4,077,552</u>	<u>15,229,990</u>
Total assets	<u>14,172,596</u>	<u>5,185,447</u>	<u>19,358,043</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows - Pensions	<u>18,045</u>	<u>9,023</u>	<u>27,068</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	78,757	2,091	80,848
Non-current liabilities:			
Due within one year	142,074	157,654	299,728
Due in more than one year	7,993,027	233,277	8,226,304
Net pension liability	<u>12,934</u>	<u>6,467</u>	<u>19,401</u>
Total liabilities	<u>8,226,792</u>	<u>399,489</u>	<u>8,626,281</u>
<u>Deferred Inflows of Resources</u>			
Deferred inflows - Pensions	<u>153</u>	<u>76</u>	<u>229</u>
<u>Net Position</u>			
Investments in capital assets, net of related debt	3,159,411	3,686,621	6,846,032
Restricted:			
Bond reserve/Grant restrictions	-	-	-
Unrestricted	<u>2,804,285</u>	<u>1,108,284</u>	<u>3,912,569</u>
Total net position	<u>\$ 5,963,696</u>	<u>4,794,905</u>	<u>10,758,601</u>

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

LEWISTON CITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Water Fund	Sewer Fund	Total Business- Type Activities
Operating revenues:			
Services	\$ 589,219	253,568	842,787
Other operating revenues	125	-	125
Grant revenues	50,000	-	50,000
Connection fees	18,900	350	19,250
Total operating revenues	<u>658,244</u>	<u>253,918</u>	<u>912,162</u>
Operating expenses:			
Wages and benefits	166,164	65,101	231,265
Depreciation	363,287	74,961	438,248
Current expenses	187,598	42,764	230,362
Total operating expense	<u>717,049</u>	<u>182,826</u>	<u>899,875</u>
Operating income (loss)	(58,805)	71,092	12,287
Non-operating income (expense):			
Interest income	56,042	43,469	99,511
Impact fee income	45,479	6,450	51,929
Gain on sale of land	-	455,372	455,372
Interest expense	(281,615)	(14,285)	(295,900)
Total non-operating income (expense)	<u>(180,094)</u>	<u>491,006</u>	<u>310,912</u>
Change in net position	(238,899)	562,098	323,199
Net position - beginning of year	<u>6,202,595</u>	<u>4,232,807</u>	<u>10,435,402</u>
Net position - end of year	<u>\$ 5,963,696</u>	<u>4,794,905</u>	<u>10,758,601</u>

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

LEWISTON CITY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Water Fund	Sewer Fund	Total Business- Type Activities
<u>Cash flows from operating activities:</u>			
Receipts from customers and users	\$ 617,919	256,450	874,369
Payments to employees	(166,164)	(65,101)	(231,265)
Payments to suppliers	(189,772)	(42,764)	(232,536)
Net cash provided by operating activities	261,983	148,585	410,568
<u>Cash flows from non-capital financing activities</u>	-	-	-
<u>Cash flows from capital and related financing activities:</u>			
Purchase of capital assets	(455,637)	(344,184)	(799,821)
Impact fee income	45,479	6,450	51,929
Principal payments on bonds and long-term debt	(8,390,900)	(296,156)	(8,687,056)
Proceeds from sale of land	-	455,372	455,372
Interest payments on bonds	(281,615)	(14,285)	(295,900)
Net cash used in capital and related financing activities	(9,082,673)	(192,803)	(9,275,476)
<u>Cash flows from investing activities:</u>			
Interest on investments	56,042	43,469	99,511
Net cash provided by investing activities	56,042	43,469	99,511
Net decrease in cash and cash equivalents	(8,764,648)	(749)	(8,765,397)
Cash and cash equivalents at beginning of year	11,663,051	1,075,768	12,738,819
Cash and cash equivalents at end of year	\$ 2,898,403	1,075,019	3,973,422
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (58,805)	71,092	12,287
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	363,287	74,961	438,248
Change in assets and liabilities:			
Decrease (Increase) in accounts receivable	(40,325)	2,532	(37,793)
Increase (decrease) in accounts payable	(2,174)	-	(2,174)
Total adjustments	320,788	77,493	398,281
Net cash provided by operating activities	\$ 261,983	148,585	410,568

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

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Lewiston City (the City) was incorporated under the laws of the state of Utah. The City operates by ordinance under the Mayor-Council form of government and provides such services as are authorized by its charter including public safety (police and fire), highway and streets, sanitation, recreation, public improvements, planning and zoning, and general administration. In addition, the City owns and operates water and sewer utilities.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989, which do not conflict with or contradict GASB pronouncements. The City has elected not to follow FASB pronouncements issued after November 30, 1989 in the preparation of these financial statements. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Project Fund is used to account for financial resources to be used for the acquisition of capital facilities and equipment by the city.

The City reports the following major proprietary funds:

- The Water Utility accounts for the activities of the City's water production, treatment, and distribution operations.
- The Sewer Utility accounts for the activities of the City's sewer treatment operations.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 – Summary of Significant Accounting Policies (continued)

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$2,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible fixed assets used is charged as an expense against the City's operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	25 to 50 years
Water system and equipment	7 to 50 years
Machinery and equipment	3 to 20 years
Infrastructure	15 to 40 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

Long-term Debt

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists of bonds and notes payable.

Long-term debt for the governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principle and interest are reported as expenditures. The accounting for proprietary fund long-term debt is the same as in the fund statements as in the government-wide statements.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 – Summary of Significant Accounting Policies (continued)

Equity Classifications: Government-wide Financial Statements

Equity in the government-wide financial statements is classified as net position and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- Restricted net position – Consists of net position with constraints placed on the usage whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Equity Classifications: 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.
- b. Restricted fund balances – 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 City Council, likewise, formally changes the use.
- d. Assigned fund balance – Fund balances are reported as assigned when the City 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.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 – Summary of Significant Accounting Policies (continued)

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

Property Taxes

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The City must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% for \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within 60 days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the City in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, the term “cash and cash equivalents” includes all demand deposit accounts, savings accounts, or other short-term, highly-liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

Deferred Outflows/Inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) including additions to and deductions from URS’s fiduciary net position, have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Subsequent Events

The City has evaluated all subsequent events through December 16, 2025, the date the financial statements were available to be issued.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 2 – Deposits and Investments

The City follows the requirements for the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This Act requires the depositing of City's 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 Utah 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 City's deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk. The uninsured and uncollateralized portion of the City's bank balances was \$5,946,574 on June 30, 2025.

Investments

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

Statutes authorize the City 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, one of which must be Moody's Investors Service or Standards & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes and bonds; 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 money market mutual fund as defined by the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

Interest Rate Risk – Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. 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 of 270 to 365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have remaining term to final maturity exceeding two years.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk in regard to the custody of the City's investments.

Concentration of Credit Risk – Concentrations of credit risk is the risk of loss attributed to the magnitude of government's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the Rules of Money Management Council.

Note 3 – Legal Compliance – Budgets

On or before the first scheduled City council meeting in May, all agencies of the City submit requests for appropriation to the City's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City council for review at the first scheduled meeting in May. The City council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the City council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that City officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 4 – Receivables

The City has property and sales taxes, accounts receivable and receivables due from other governments as of June 30, 2025 as follows:

Governmental Funds:

Taxes:	
Property taxes	\$ 512,290
Sales taxes	<u>279,816</u>
Total taxes receivable	<u>792,106</u>
Accounts:	
Garbage/Recycle	25,481
911 fees/Other	<u>1,959</u>
Total accounts receivable	<u>27,441</u>
Due from other governments:	
Class "C" roads – State of Utah	<u>70,585</u>
Total due from other governments	<u>70,585</u>
Total receivables – Governmental Funds	\$ <u>890,132</u>

Water Fund:

Accounts:	
Services and fees, net of allowance for bad debt	\$ <u>121,755</u>
Total receivables – Water Fund	\$ <u>121,755</u>

Sewer Fund:

Accounts:	
Services and fees, net of allowance for bad debt	\$ <u>32,876</u>
Total receivables – Sewer Fund	\$ <u>32,876</u>

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 5 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2025, are as follows:

	July 1, 2024	Additions	Deletions	June 30, 2025
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 220,876	-	-	220,876
Total capital assets not being depreciated	220,876	-	-	220,876
Capital assets being depreciated:				
Infrastructure	2,040,782	-	-	2,040,782
Buildings	1,729,744	44,695	-	1,774,439
Equipment	1,698,484	83,051	-	1,781,535
Total capital assets being depreciated	5,469,010	127,746	-	5,596,756
Accumulated depreciation for:				
Infrastructure	(878,156)	(102,410)	-	(980,566)
Buildings	(1,139,345)	(42,452)	-	(1,181,797)
Equipment	(1,383,145)	(77,512)	-	(1,460,987)
Total accumulated depreciation	(3,400,976)	(222,374)	-	(3,623,350)
Total capital assets being depreciated, net	2,068,034	(94,628)	-	1,973,406
Total governmental activities Capital assets, net	\$ 2,288,908	(94,628)	-	2,194,281

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 5 – Capital Assets (continued)

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

General government	\$ 61,615
Public safety	18,364
Streets and public improvements	104,295
Parks and recreation	38,100
Total depreciation expense	<u>\$ 222,374</u>

	July 1, 2024	Additions	Deletions	June 30, 2025
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land and water rights	\$ 939,682	-	-	939,682
Total capital assets not being depreciated	939,682	-	-	939,682
Capital assets being depreciated:				
Water systems and equipment	13,731,820	455,637	-	14,187,457
Sewer systems and equipment	4,037,707	344,184	-	4,381,891
Total capital assets being depreciated	17,769,527	799,821	-	18,569,348
Accumulated depreciation for:				
Water systems and equipment	(3,075,698)	(363,286)	-	(3,438,984)
Sewer systems and equipment	(765,095)	(74,961)	-	(840,056)
Total accumulated depreciation	(3,840,793)	(438,247)	-	(4,279,040)
Total capital assets being depreciated, net	13,928,734	361,574	-	14,290,308
Total business-type activities capital assets, net	\$ <u>14,868,416</u>	<u>361,574</u>	<u>-</u>	<u>15,229,990</u>

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 6 – Long-term Debt

Long-term liability transactions for the fiscal year ended June 30, 2025, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type</u>					
<u>Activities:</u>					
Bonds payable	\$ 79,782	-	-	79,782	4,000
Bonds payable	607,305	-	(296,156)	311,149	153,654
USDA note payable	<u>16,526,001</u>	<u>-</u>	<u>(8,390,900)</u>	<u>8,135,101</u>	<u>142,074</u>
 Total business-type long-term liabilities	 \$ <u>20,794,604</u>	 <u>-</u>	 <u>(8,687,056)</u>	 <u>8,526,032</u>	 <u>299,728</u>

Business-type Activities

Long-term debt for business-type activities consists of the following:

Note payable
\$8,263,000 USDA Rural Development loan payable in monthly
payments of \$24,542, at 1.89%, through August 2064. 8,135,101

Bonds payable
\$100,000 Sewer revenue bonds, Series 2018, issued September 17,
2018. Due to the State of Utah in annual installments ranging from
\$6,000 to \$9,000, including interest at 2.5%, through July 2039. 79,782

Bonds payable
\$1,025,000 Sales tax revenue bonds, Series 2020, issued March 5,
2020, payable in annual installments ranging from \$135,000 to
\$170,000, including interest ranging from 1.00% to 4.50%, through
March 2027. 311,149

Total \$ 8,526,032

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 6 – Long-term Debt (continued)

The following is a summary of the annual payments to maturity:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	299,728	166,093	465,821
2027	307,276	158,705	465,981
2028	152,539	148,735	301,274
2029	155,350	145,799	301,149
2030	158,215	142,809	301,024
Thereafter	<u>7,452,924</u>	<u>2,648,233</u>	<u>10,101,157</u>
Totals	\$ <u>8,526,032</u>	<u>3,410,372</u>	<u>11,936,404</u>

Note 7 - Restricted Net Position/ Fund Balance Classifications

Restricted net position represent amounts required to be maintained to satisfy third party agreements or legal requirements.

Pursuant to GASB No. 54 (see Note 1, *Equity Classifications: Fund Financial Statements*) the governmental fund balances are classified as follows:

Restricted fund balance – \$135,694 for the perpetual care of the cemetery.

Assigned fund balance – \$1,478,375 for future capital projects.

The remaining fund balance is unassigned.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8 - Retirement Plans

General information about the pension plan:

Plan description

Eligible plan participants are provided with pensions through Utah Retirement Systems. Participation in Utah Retirement Systems are comprised of the following Pension Trust Funds:

- Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple-employer, cost sharing, retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple-employer cost sharing public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8 - Retirement Plans (continued)

Benefits provided

URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

System	Final Average Salary	eligible for benefits	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years, any age 25 years, any age* 20 years, age 60* 10 years, age 62* 4 years, age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.50% per year all years	Up to 2.5%

* Actuarial reductions are applied.

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8 - Retirement Plans (continued)

Contributions

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

Contribution rates as of June 30, 2025 are as follows:

	Tier 1 - DB System			Tier 2 - DB Hybrid System				Tier 2 - 401(k) Option			
	Employee	Employer	ER 401(k)	Tier 2 Fund	Employee	Employer	ER 401(k)	Tier 2 Fund	Employee	Employer	ER 401(k)
Noncontributory System											
15 - Local Governmental	-	16.97	-	111	0.70	15.19	-	211	-	5.19	10.00

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2025, the employer and employee contributions to the Systems were as follows:

	Employer Contributions	Employee Contributions
Noncontributory System	\$ 13,653	-
Tier 2 Public Employees System	33,617	1,494
Tier 2 DC Public Employees System	2,893	-
Total net pension asset/liability	<u>\$ 50,163</u>	<u>\$ 1,494</u>

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8 - Retirement Plans (continued)

Combined Pension Assets, Liabilities, Expense, and Deferred Outflows and Inflows of Resources Relating to Pensions

At June 30, 2025, we reported a net pension liability of \$64,672 and a net pension asset of \$0.

	Proportionate Share	Net Pension Assets	Net Pension Liability
Noncontributory System	0.0138324%	\$ -	\$ 43,864
Tier 2 Public Employees System	0.0069770%	\$ -	\$ 20,808
Total net pension asset/liability		\$ -	\$ 64,672

The net pension asset and liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2024, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2025, we recognized a pension expense of \$63,099.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8 - Retirement Plans (continued)

At June 30, 2025, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 35,132	\$ 143
Changes in assumptions	\$ 10,578	\$ 2
Net difference between projected and actual earnings on pension plan investments	\$ 14,543	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions.	\$ 5,182	\$ 616
Contributions subsequent to the measurement date	<u>\$ 24,792</u>	<u>\$ -</u>
Total	<u><u>\$ 90,227</u></u>	<u><u>\$ 761</u></u>

\$24,792 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year Ended Dec 31,	Net Deferred Outflows (Inflows) of Resources
2025	\$ 28,054
2026	28,216
2027	(3,579)
2028	1,136
2029	4,789
Thereafter	<u>6,058</u>
	<u><u>\$ 64,674</u></u>

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8 - Retirement Plans (continued)

Actuarial assumptions

The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.50 percent
- Salary Increases: 3.5 - 9.5 percent, average, including inflation
- Investment Rate of Return: 6.85 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from an actuarial experience study dated January 1, 2023. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using the ultimate rates from the MP-2020 improvement scale using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2023, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

The long-term expected rate of return on pension plan investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8 - Retirement Plans (continued)

Asset Class	Expected Return Arithmetic Basis		
	Target Asset allocation	Real return arithmetic basis	Long-term expected portfolio real rate of return
Equity securities	35%	7.01%	2.45%
Debt securities	20%	2.54%	0.51%
Real Assets	18%	5.45%	0.98%
Private Equity	12%	10.05%	1.21%
Absolute return	15%	4.36%	0.65%
Cash and cash equivalents	0%	0.49%	0.00%
Totals	100%		5.80%
Inflation			2.50%
Expected arithmetic nominal return			8.30%

The 6.85% assumed investment rate of return is comprised of an inflation rate of 2.50%, and a real return of 4.35% that is net of investment expense.

Discount rate

The discount rate used to measure the total pension liability was 6.85 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current, active, and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments, to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate.

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8 - Retirement Plans (continued)

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85 percent, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1.00 percentage point lower (5.85 percent) or 1.00 percentage point higher (7.85 percent) than the current rate:

	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 185,510	\$ 43,864	\$ (74,931)
Tier 2 Public Employees System	\$ 62,149	\$ 20,808	\$ (11,351)
Total	\$ 247,659	\$ 64,672	\$ (86,282)

Pension plan fiduciary net position

Detailed information about the fiduciary net position of the pension plans is available in the separately issued URS financial report.

Defined Contribution Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Lewiston City participates in the following Defined Contribution Savings Plans with
* 401(k) Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30th were as follows:

401(k) Plan	2025	2024	2023
Employer Contributions	\$ 12,366	\$ 11,503	\$ 13,154
Employee Contributions	\$ 11,885	\$ 16,805	\$ 27,167

LEWISTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. The City participates in the Utah Local Government Insurance Trust (the Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. There have been no claim settlements that exceeded the City's insurance coverage for the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

LEWISTON CITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property tax	\$ 468,000	468,000	508,961	40,961
Sales tax	446,000	446,000	502,360	56,360
Franchise and other taxes	13,800	13,800	48,532	34,732
Licenses and permits	35,800	35,800	104,032	68,232
Intergovernmental	276,000	276,000	246,623	(29,377)
Charges for services	262,202	262,202	327,534	65,332
Fines and forfeitures	800	800	217	(583)
Miscellaneous revenues	39,850	39,850	86,092	46,242
Total revenues	<u>1,542,452</u>	<u>1,542,452</u>	<u>1,824,351</u>	<u>281,899</u>
Expenditures:				
General government	562,675	562,675	446,861	115,814
Public safety	119,802	119,802	108,197	11,605
Streets and public improvements	334,000	334,000	288,552	45,448
Sanitation	160,000	160,000	155,433	4,567
Parks and recreation	365,975	365,975	296,435	69,540
Total expenditures	<u>1,542,452</u>	<u>1,542,452</u>	<u>1,295,478</u>	<u>246,974</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>528,873</u>	<u>528,873</u>
Other financing sources (uses):				
Beginning fund balance	-	-	-	-
Transfers in/(out):	<u>-</u>	<u>-</u>	<u>(212,128)</u>	<u>(212,128)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(212,128)</u>	<u>(212,128)</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing sources	<u>\$ -</u>	<u>-</u>	<u>316,745</u>	<u>316,745</u>
Fund balance - beginning of year			<u>752,381</u>	
Fund balance - end of year	\$		<u><u>1,069,126</u></u>	

See Independent Auditor's Report.

LEWISTON CITY
SCHEDULE OF REQUIRED
SUPPLEMENTARY INFORMATION
JUNE 30, 2025

**Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal years**

	As of fiscal year ended June 30,	Portion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		Plan fiduciary net position as a percentage of the total pension liability (asset)
Noncontributory Retirement System	2020	0.0189888%	71,566	124,830	57.33%		93.7%
	2021	0.0189888%	71,566	124,830	57.33%		93.7%
	2022	0.0152560%	(87,373)	79,405	-110.03%		108.7%
	2023	0.0154973%	26,543	79,002	33.60%		97.5%
	2024	0.0155086%	35,973	78,684	45.72%		96.9%
	2025	0.0138324%	43,864	81,534	53.80%		96.0%
Tier 2 Public Employees Retirement System	2020	0.0126098%	2,836	175,208	1.62%		96.5%
	2021	0.0126098%	2,836	175,208	1.62%		96.5%
	2022	0.0132118%	(5,592)	245,221	-2.28%		103.8%
	2023	0.0124682%	13,577	272,057	4.99%		92.3%
	2024	0.0114524%	22,291	296,038	7.53%		89.6%
	2025	0.0069770%	20,808	206,641	10.07%		87.4%

Note:

This schedule usually covers the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

LEWISTON CITY
SCHEDULE OF REQUIRED
SUPPLEMENTARY INFORMATION
JUNE 30, 2025

**Schedule of Contributors
Last 10 Fiscal years**

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contribution as a percentage of covered employee payroll
Noncontributory System	2020	22,573	22,573	-	128,611	17.55%
	2021	18,264	18,264	-	109,456	16.69%
	2022	12,872	12,872	-	81,634	15.77%
	2023	13,350	13,350	-	76,759	17.39%
	2024	13,738	13,738	-	79,761	17.22%
	2025	13,653	13,653	-	82,890	16.47%
Tier 2 Public Employee System	2020	27,908	27,908	-	178,212	15.66%
	2021	32,553	32,553	-	206,103	15.79%
	2022	41,949	41,949	-	261,217	16.06%
	2023	47,672	47,672	-	297,548	16.02%
	2024	39,588	39,588	-	247,207	16.01%
	2025	33,617	33,617	-	221,307	15.19%
Tier 2 DC Public Employee System	2022	-	-	-	-	0.00%
	2023	-	-	-	-	0.00%
	2024	1,431	1,431	-	23,121	6.19%
	2025	2,893	2,893	-	55,745	5.19%

Note:

This schedule usually covers the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

* Contributions in Tier 2, created July 1, 2011, include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems.

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative practices.

Changes in Assumptions

Changes include updates to the mortality improvement assumption, salary increase assumption, disability incidence assumption, assumed retirement rates, and assumed termination rates, as recommended with the January 1, 2023 actuarial experience study.

GOVERNMENTAL AUDIT REPORT

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 Honorable Mayor and City Council
Lewiston City
Lewiston, Utah

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, business-type activities, and each major fund of Lewiston City (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Lewiston's basic financial statements and have issued my report thereon dated December 16, 2025.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or 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.

MATTHEW REGEN, CPA, PC

December 16, 2025

STATE COMPLIANCE REPORT

Independent Auditor's Report in Accordance with the *State Compliance Audit Guide* on:

- Compliance With General State Compliance Requirements
- Compliance For Each Major State Program
- Internal Control Over Compliance

To the Honorable Mayor and City Council
Lewiston City
Lewiston, Utah

Report on Compliance with General State Compliance Requirements and for Each Major State Program

I have audited the Lewiston City's (the City) compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2025.

General state compliance requirements were tested for the year ended June 30, 2025 in the following areas:

Budgetary Compliance
Fund Balance
Utah Retirement Systems
Restricted Taxes and Other Related Restricted Revenue
Open and Public Meetings Act
Public Treasurer's Bond
Utah Public Finance Website
Cash Management
Impact Fees

The City received state funding from the following programs classified as major programs for the year ended June 30, 2025:

B&C Road Funds (Department of Transportation)

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

My responsibility is to express an opinion on the City's compliance based on my audit of the compliance requirements referred to above. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a direct and material effect on the City or its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance with general state compliance requirements and for each major state program. However, my audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In my opinion, Lewiston City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2025.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program 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 of the effectiveness of internal control over compliance. Accordingly, I do not express an opinion of the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a general state or major state program compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a

deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that were not identified.

Purpose of Report

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

MATTHEW REGEN, CPA, PC

December 16, 2025