AGENDA

Francis City Council Meeting
Thursday, January 8th, 2026, 6:00 p.m.
2317 So. Spring Hollow Rd. Francis, Utah

The meeting will be streamed via Francis City YouTube channel
https://www.youtube.com/channel/UC-9wahpEELShvGQZShXGIXg **You can also comment by email to comments@francisutah.gov**

1. Oath of Office---Mayor Jeremie Forman and Councilmembers Clayton Querry and Riley Atkinson

2. Welcome, Call to Order and Pledge of Allegiance

3. Consent Agenda---Approval of Invoice Register dated January 8th, 2026, and Approval of Minutes from November 18th, and December 13th, 2025

4. Public Comment

Comments will be taken on any item not scheduled for a public hearing, as well as on any other City business. Comments are limited to two minutes per speaker. The Council cannot act on items not listed on the agenda, and therefore, the Council may or may not respond to non-agenda issues brought up under Public Comment. Those wishing to comment should state their full name and address, whom they represent and the subject matter to be addressed. No person shall interrupt legislative proceedings. Total time allocated to public comments will be no more than 10 minutes.

5. Public Hearings--- Surplus Code Text Amendment Ordinance No. 2026-01

6. Discussion, Updates and Approval on Potential Action Items
   A. 2024-2025 Audit Ben Probst of Gilbert and Stewart
   B. Surplus Property Resolution No. 2026-01
   C. Francis City Standard Specifications and drawing update

7. Council Business
   A. Council Reports
   B. Planner Reports
   C. Engineer Reports
   D. Mayor Reports

8. (As Needed) Closed Executive Session to Discuss Pending or Reasonably Imminent Litigation, Purchase, Exchange, or Lease of Property and/or the Character, Professional Competence or Physical or Mental Health of an Individual.

9. Adjournment

I certify that this notice has been posted in three (3) public places and on the Utah State Public Notice Website. Attested by Suzanne Gillett City Recorder. **In Compliance with the American Disabilities Act, individuals needing special accommodations during this hearing should notify Suzanne Gillett at (435) 7836236 at least three days prior to the hearing.**

FRANCIS CITY

ORDINANCE NO. 2026-01

AN ORDINANCE CREATING A SURPLUS PROPERTY CODE

WHEREAS, the City Council of Francis City desires to create a surplus property code to dispose of surplus property; and

WHEREAS, the City Council finds that it is in the best interest of the residents of the City to establish regulations regarding surplus property; and

WHEREAS, the City Council of the City of Francis as follows:

Section 1. Amendment. Adding section 3.50.010, 3.50.020, 3.50.030, and 3.50.040 of the Francis City code is hereby adopted to read in its entirety as set forth in Exhibit "A", attached hereto and incorporated herein by reference.

Section 2. Severability. If any section, part, or provision of this Ordinance is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other portion of this Ordinance, and all sections, parts and provisions of this Ordinance shall be severable.

Section 3. Effective Date. This Ordinance shall take effect upon publication or posting.

PASSED AND ADOPTED by the Francis City Council the 1st, day of January 2026.

	AYE	NAY
Mayor Jeremie Forman		
Councilmember Atkinson		
Councilmember Sam Hunter		
Councilmember Clayton Querry		
Councilmember Summers		

Mayor Jeremie Forman
City Seal

City Recorder Suzanne Gillett

Chapter 3.50
SURPLUS PROPERTY

Sections:

3.5.010 Definitions.
3.5.020 Classification of Surplus Property.
3.5.030 Public Notice and Comment.
3.5.040 Disposal of Surplus Property.

3.5.010 Definitions.

"Disposal" means the disposal of Surplus Property per Section 3.5.040.

"Significant Surplus Property" means any real Surplus Property that (1) is larger than one-half acre; or (2) has a fair market value exceeding $50,000. This definition excludes personal Surplus Property.

"Surplus Property" means any city-owned property that (1) is unused, costly to maintain, no longer needed, or otherwise undesired; and (2) would benefit the city if disposed of.

3.5.020 Classification of Surplus Property.

The city council or its designees may identify and classify real or personal Surplus Property at any time.

3.5.030 Public Notice and Comment.

1. Prior to the Disposal of Significant Surplus Property, the city must provide a class A notice—per Utah Code 63G-30-102, as amended—of the proposed Disposal.

2. Not less than 14 days after issuing the public notice, the city must allow for public comment on the proposed Disposal.

3. Disposal may commence following public comment.

3.5.040 Disposal of Surplus Property.

1. The city may dispose of Surplus Property via sale, public auction, trade, competitive sealed bid, lease, donation, or destruction.

2. The city may use any Disposal method it reasonably believes will benefit the city. This includes selling the Surplus Property for any amount the city believes would be beneficial.

3. If Surplus Property is sold, the sale shall be formalized via contract and comply with all relevant procedural and financial provisions of the city code.

FRANCIS CITY
RESOLUTION 2026-01

AN ORDINANCE DECLARING CERTAIN EQUIPMENT OF THE CITY OF FRANCIS AS SURPLUS TO THE NEEDS OF THE CITY, ESTABLISHING A MINIMUM BID, AND DIRECTING THE CITY MAYOR TO DETERMINE THE METHOD FOR DISPOSAL THAT YIELDS A FAIR ECONOMIC RETURN TO THE CITY

WHEREAS, on January 8th, 2026, the Francis City Council met in regular session to consider, among other things, declaring certain equipment listed in Exhibit "A" as surplus; establishing a minimum bid, and directing the City Administrator to determine the method of disposal that yields a fair economic return to the City; and

WHEREAS, the equipment listed in Exhibit "A" has been determined by the Francis City Mayor to be ready for immediate disposal.

NOW THEREFORE, BE IT ORDAINDED by the Francis City Council that the equipment listed in Exhibit "A" be declared as surplus to the needs of the City's operations and directs the City Mayor to dispose of said equipment in such manner as yields a fair economic return to the City.

This Ordinance shall take effect as and when provided by Utah Code Title 10, Chapter 3 Part 7.

PASSED AND ADPOTED by the Francis City Council this 2026.

	AYE	NAY
Mayor Jeremie Forman		
Councilmember Shana Fryer		
Councilmember Sam Hunter		
Councilmember Clayton Querry		
Councilmember Clint Summers		

APPROVED: ATTEST:

Mayor Jeremie Forman

City Recorder Suzanne Gillett

EXHIBIT A

Francis City Equipment to be Declared Surplus
Ordinance 2026-02

1. Manufactured Building, AZ217155, SN 000726, Scotsman, Date of Manufacture 9/1991. Bid should be for building and materials left inside of the building, plus the removal of all cement products and railings on the property so that the ground is completely cleared and level.

Minimum Bid at Least…………………….. $

Francis City

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2025

Francis City

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June 30, 2025

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GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of City Council
Francis City, Utah

Opinions

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

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

Basis for Opinions

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

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; 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.

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 Francis City'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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Francis City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Francis City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Gilbert & Stewart

GILBERT & STEWART, CPA, PC
Provo, Utah
December 31, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of Francis City (the City) we offer readers of the city's financial statements this narrative overview and analysis of financial activities of the city for the fiscal year ended June 30, 2025.

FINANCIAL HIGHLIGHTS

*Total net position for the City as a whole increased by $1,351,617

*Total unrestricted net position for the city as a whole increased by $542,346

*Total net position for governmental activities increased by $1,126,606

*Total net position for business-type activities increased by $225,011

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Francis City. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide 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, deferred outflows, liabilities, and deferred inflows, 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.

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.

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 statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the City available to cover any remaining costs of the functions or programs.

Fund financial statements. 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 two categories: governmental funds and proprietary funds.

Governmental funds . These funds are used to account for the same functions reported as governmental activities in 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.

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 government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains one major governmental fund, the general fund.

The City adopts an annual appropriated budget for all its funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds . The City's proprietary funds are all of the enterprise type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses three enterprise funds to account for the operations of the water, waste water, and solid waste utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the City.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City.

FINANCIAL ANALYSIS

Francis City's Net Position

	Governmental Activities		Business-type Activities			
	Current Year	Previous Year	Current Year	Previous Year	Total Current Year	Total Previous Year
Current and other assets	$ 6,813,693	10,506,132	397,886	1,276,709	7,211,579	11,782,841
Net capital assets	6,900,115	5,260,788	15,865,443	15,134,704	22,765,558	20,395,492
Deferred outflows of resources	54,078	47,642	46,067	40,584	100,145	88,226
Total assets and deferred outflows	**13,767,886**	**15,814,562**	**16,309,396**	**16,451,997**	**30,077,281**	**32,266,559**
Long-term debt outstanding	235,160	267,933	4,030,970	4,241,250	4,266,130	4,509,183
Other liabilities	1,066,934	4,207,213	1,485,749	1,642,885	2,552,683	5,850,098
Deferred inflows of resources	433,148	433,379	623	820	433,771	434,199
Total liabilities and deferred inflows	**1,735,242**	**4,908,525**	**5,517,342**	**5,884,955**	**7,252,584**	**10,793,479**
Net position:						
Net investment in capital assets	6,664,955	4,992,855	10,621,193	9,670,454	17,286,148	14,663,308
Restricted	327,635	2,427,107	955,942	670,038	1,283,577	3,097,144
Unrestricted	5,040,054	3,486,076	(785,081)	226,551	4,254,973	3,712,627
Total net position	**$ 12,032,644**	**10,906,038**	**10,792,054**	**10,567,043**	**22,824,697**	**21,473,080**

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflow of resources at the close of the year by $22,824,697, an increase of $1,351,617 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year are $4,254,973 which represents an increase of $542,346 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

FINANCIAL ANALYSIS (continued)

Francis City's Change in Net Position

	Governmental Activities		Business-type Activities			
	Current Year	Previous Year	Current Year	Previous Year	Total Current Year	Total Previous Year
Program revenues:						
Charges for services	$ 999,711	820,288	979,574	850,151	1,979,284	1,670,439
Operating grants & contributions	343,512	385,578	-	-	343,512	385,578
Capital grants & contributions	-	-	3,108	336,191	3,108	336,191
General revenues:						
Property taxes	492,082	467,779	-	-	492,082	467,779
Sales tax	531,105	518,566	-	-	531,105	518,566
Impact fees	120,150	101,184	460,784	386,464	580,934	487,648
Other revenues	213,014	329,356	39,912	44,171	252,926	373,527
Total revenues	**2,699,574**	**2,622,751**	**1,483,377**	**1,616,977**	**4,182,951**	**4,239,728**
Expenses:						
General government	917,037	955,797	-	-	917,037	955,797
Highways & public improvements	285,905	249,997	-	-	285,905	249,997
Parks and recreation	363,638	20,227	-	-	363,638	20,227
Interest expense	12,508	-	-	-	12,508	-
Water utility	-	-	770,347	607,725	770,347	607,725
Sewer utility	-	-	481,900	381,151	481,900	381,151
Total expenses	**1,579,088**	**1,226,020**	**1,252,246**	**988,876**	**2,831,334**	**2,214,896**
Change in net position	**$ 1,120,486**	**1,396,731**	**231,131**	**628,101**	**1,351,617**	**2,024,832**

For the City as a whole, total revenues decreased by $56,777 compared to the previous year, while total expenses increased by $616,438. The total net change of $1,351,617 is, in private sector terms, the net income for the year which was $673,215 less than the previous year's net change (net income).

Governmental activities revenues of $2,699,574 is an increase of $76,823 from the previous year. This increase is primarily due to increases in charges for services. Governmental activities expenses of $1,579,088 is an increase of $353,068 from the previous year. While general government expenses decreased, the other department expenses increased.

Business-type activities revenue of $1,483,377 is a decrease of $133,600 from the previous year. Service revenues increased by $129,423 and capital grants decreased by $333,083. Business-type activities expenses of $1,252,246 is an increase of $263,370 from the previous year.

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

Some of the more significant changes in fund balances and fund net position, and any restrictions on those amounts, is described below:

General Fund
The fund balance of $898,345 reflects an increase of $65,872 from the previous year. Total revenues decreased by $121,441. Tax revenues, including property taxes and sales taxes, increased by $36,843. Licenses and permits revenues increased by $168,548. Intergovernmental revenue decreased by $74,666. Revenues from impact fees increased by $18,966. Lease proceeds decreased by $227,887. All other revenues decreased by $43,245.

Total expenditures, exclusive of transfers out, decreased by $914,448. General government expenditures increased by $155,124, streets and highways expenditures decreased by $518,378, and parks and recreation expenditures decreased by $568,657. Debt service expenditures increased by $17,463.

The amount of restricted general fund balance is $327,635, leaving the unassigned fund balance of $570,710.

Capital Projects Fund
The fund balance decreased from $4,963,077 to $4,240,267 during the year, which resulted from interest revenue of $40,472 and a transfer in of $1,072,516, less expenditures of $1,835,798, for net decrease in fund balance of $722,810.

Water Fund
The change in net position (net income) for the year was $24,404, compared to the previous year net income of $381,410. Net position restricted for construction is $731,596 Unrestricted net position amounts to a deficit of $1,960,099.

Sewer Fund
The change in net position (net income) for the year was $200,607 compared to the previous year net income of $249,751. Restricted net position is $224,346, resulting in an unrestricted net position of $1,175,018.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of $1,776,325. This amount was amended in the final budget to $2,395,473. Actual revenues, excluding transfers, amounted to $2,357,282.

Expenditures for the current year, excluding transfers and budgeted increases in fund balance, were originally budgeted in the amount of $1,833,227. This amount was amended in the final budget to $1,431,077. Actual expenditures amounted to $1,325,164.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Francis City's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities			
	Current Year	Previous Year	Current Year	Previous Year	Total Current Year	Total Previous Year
Net Capital Assets:						
Land	$ 601,551	601,551	1,578,263	1,578,263	2,179,814	2,179,814
Buildings	3,680,315	508,387	78,595	78,595	3,758,910	586,982
Improvements other than buildings	2,368,306	2,368,306	-	-	2,368,306	2,368,306
Machinery and equipment	781,969	754,944	258,493	255,877	1,040,462	1,010,821
Right-to-use leases	227,887	227,887	-	-	227,887	227,887
Water and sewer systems	-	-	18,595,305	18,030,916	18,595,305	18,030,916
Work in progress	1,050,635	2,366,409	609,138	-	1,659,773	2,366,409
Total Capital Assets	8,710,664	6,827,484	21,119,794	19,943,651	29,830,458	26,771,135
Less accumulated depreciation	(1,810,549)	(1,566,696)	(5,254,351)	(4,808,947)	(7,064,900)	(6,375,643)
Totals	**$ 6,900,115**	**5,260,788**	**15,865,443**	**15,134,704**	**22,765,558**	**20,395,492**

The total amount of capital assets, net of depreciation, of $22,765,558 is an increase of $2,370,066 from the previous year.

Governmental activities capital assets, net of depreciation, of $6,900,115 is an increase of $1,639,327 from the previous year.

Business-type activities capital assets, net of depreciation, of $15,865,443 is an increase of $730,739 from the previous year.

The amount of increases in capital asset balances, net of depreciation, represent the amount that investments in new capital assets exceeded depreciation charged on capital assets during the year.

Additional information regarding capital assets may be found in the notes to financial statements.

Francis City's Outstanding Debt

		Current Year	Previous Year
Governemtntal activities			
2021 Freightliner Truck	$	40,310	54,360
2024 Right-to-use leases		194,850	213,573
Total governmental		235,160	267,933
Business-type activities:			
2014 Sewer Revenue		3,960,000	4,180,000
Total business-type		3,960,000	4,715,866
Total outstanding debt	**$**	**4,195,160**	**4,715,866**

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the City are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Francis City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the City Clerk at (435)783-6236.

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BASIC FINANCIAL STATEMENTS

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Francis City
STATEMENT OF NET POSITION
June 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	$ 4,940,712	66,298	5,007,010
Accounts receivable, net	551,601	107,241	658,842
Prepaid expense	-	-	-
Total current assets	5,492,313	173,540	5,665,852
Non-current assets:			
Restricted cash and cash equivalents	1,321,380	224,346	1,545,726
Capital assets:			
Not being depreciated	1,652,186	2,187,401	3,839,587
Net of accumulated depreciation	5,247,929	13,678,042	18,925,971
Net pension asset	-	-	-
Total non-current assets	8,221,495	16,089,789	24,311,284
Total assets	13,713,808	16,263,329	29,977,136
Deferred outflows of resources - pensions	54,078	46,067	100,145
Total assets and deferred outflows of resources	**$ 13,767,886**	**16,309,396**	**30,077,281**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable	$ 65,121	229,903	295,024
Performance deposits	937,201	1,246,250	2,183,451
Compensated absences	25,908	9,596	35,504
Long-term debt due within one year	29,295	220,000	249,295
Total current liabilities	1,057,525	1,705,749	2,763,274
Non-current liabilities:			
Due to developer	-	38,000	38,000
Net pension liability	38,704	32,970	71,674
Long-term debt due after one year	205,866	3,740,000	3,945,866
Total non-current liabilities	244,570	3,810,970	4,055,540
Total liabilities	1,302,094	5,516,719	6,818,813
Deferred inflows of resources - property taxes	432,416	-	432,416
Deferred inflows of resources - pensions	732	623	1,355
Total liabilities and deferred inflows of resources	**1,735,242**	**5,517,342**	**7,252,584**
NET POSITION:			
Net investment in capital assets	6,664,955	10,621,193	17,286,148
Restricted for:			
Debt service	-	220,000	220,000
Construction & Impact Fees	327,635	735,942	1,063,577
Unrestricted	5,040,054	(785,081)	4,254,973
Total net position	**12,032,644**	**10,792,054**	**22,824,698**
Total liabilities, deferred inflows of resources and net position	**$ 13,767,886**	**16,309,396**	**30,077,281**

The notes to the financial statements are an integral part of this statement.

Francis City

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
FUNCTIONS/PROGRAMS:					
Primary government:					
Governmental activities:					
Administration	$ 917,037	894,447	-	-	(22,591)
Streets and highways	285,905	-	183,512	-	(102,392)
Parks and recreation	363,638	105,264	160,000	-	(98,374)
Interest on long-term debt	12,508	-	-	-	(12,508)
Total governmental activities	**1,579,088**	**999,711**	**343,512**	**-**	**(235,865)**
Business-type activities:					
Water	770,347	457,970	-	3,108	(309,269)
Waste water	481,900	521,603	-	-	39,703
Total business-type activities	**1,252,246**	**979,574**	**-**	**3,108**	**(269,565)**
Total primary government	**$ 2,831,334**	**1,979,284**	**343,512**	**3,108**	**(505,430)**

(continued on next page)

Francis City
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2025

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	**$ (235,865)**	**(269,565)**	**(505,430)**
General revenues:			
Property taxes	492,082	-	492,082
Sales tax	388,530	-	388,530
Other taxes	142,575	-	142,575
Unrestricted investment earnings	203,417	39,912	243,329
Impact fees	120,150	460,784	580,934
Miscellaneous	9,598	-	9,598
Total general revenues	1,356,351	500,696	1,857,047
Transfers in (out)	6,120	(6,120)	-
Change in net position	**1,126,606**	**225,011**	**1,351,617**
Net position - beginning	10,906,038	10,567,043	21,473,081
Net position - ending	**$ 12,032,644**	**10,792,054**	**22,824,698**

The notes to the financial statements are an integral part of this statement.

Francis City

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2025

	General Fund	Capital Projects Fund	Nonmajor Frontier Days Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 898,557	3,799,541	242,614	4,940,712
Receivables, net	551,601	-	-	551,601
Prepaid expense	-	-	-	-
Restricted cash and cash equivalents	880,654	440,726	-	1,321,380
TOTAL ASSETS	**$ 2,330,812**	**4,240,267**	**242,614**	**6,813,693**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Accounts payable	$ 62,850	-	2,271	65,121
Performance bonds held	937,201	-	-	937,201
Total liabilities	1,000,051	-	2,271	1,002,322
Deferred inflows of resources - property taxes	432,416	-	-	432,416
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**1,432,467**	**-**	**2,271**	**1,434,738**
FUND BALANCES:				
Restricted for:				
Impact fees	327,635	-	-	327,635
Construction	-	440,726	-	440,726
Assigned for:				
Capital projects	-	3,799,541	-	3,799,541
Frontier Days	-	-	240,342	240,342
Unassigned	570,710	-	-	570,710
TOTAL FUND BALANCES	**898,345**	**4,240,267**	**240,342**	**5,378,955**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 2,330,812**	**4,240,267**	**242,614**	**6,813,693**

The notes to the financial statements are an integral part of this statement.

Francis City

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2025

	General Fund	Capital Projects Fund	Nonmajor Frontier Days Fund	Total Governmental Funds
REVENUES:				
Taxes:				
Property	$ 492,082	-	-	492,082
Sales	388,530	-	-	388,530
Other taxes	142,575	-	-	142,575
Licenses, permits and annexations	894,288	-	-	894,288
Intergovernmental revenues	243,512	-	100,000	343,512
Charges for services	23,754	-	81,670	105,423
Interest	162,944	40,472	-	203,417
Miscellaneous revenue	9,598	-	-	9,598
Total revenues	**2,357,282**	**40,472**	**181,670**	**2,579,424**
EXPENDITURES:				
General government	1,050,143	1,695,729	-	2,745,872
Highways and public improvements	87,118	-	-	87,118
Parks, recreation and public property	142,622	140,069	85,481	368,172
Debt service:				
Principal	32,773	-	-	32,773
Interest	12,508	-	-	12,508
Total expenditures	**1,325,164**	**1,835,798**	**85,481**	**3,246,444**
Excess (Deficiency) of Revenues over (Under) Expenditures	**1,032,118**	**(1,795,326)**	**96,188**	**(667,020)**
Other Financing Sources and (Uses):				
Impact fees	120,150	-	-	120,150
Lease proceeds	-	-	-	-
Transfers in	6,120	1,072,516	20,000	1,098,636
Transfers out	(1,092,516)	-	-	(1,092,516)
Total other financing sources and (uses)	**(966,246)**	**1,072,516**	**20,000**	**126,270**
Net Change in Fund Balances	**65,872**	**(722,810)**	**116,188**	**(540,750)**
Fund balances - beginning of year	832,474	4,963,077	124,154	5,919,705
Fund balance - end of year	**$ 898,345**	**4,240,267**	**240,342**	**5,378,955**

The notes to the financial statements are an integral part of this statement.

Francis City

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2025

Total Fund Balance for Governmental Funds	**$ 5,378,955**
Total net assets reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds:	
Capital assets, at cost	8,710,664
Less accumulated depreciation/amortization	(1,810,549)
Net capital assets	6,900,115
Net pension asset	-
Deferred outflows of resources - pensions, a consumption of net position that applies to future periods, is not shown in the funds statements.	54,078
Long-term liabilities, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
General long-term debt	(235,160)
Compensated absences	(25,908)
Net pension liability	(38,704)
Deferred inflows of resources - pensions	(732)
Total Net Position of Governmental Activities	**$ 12,032,644**

The notes to the financial statements are an integral part of this statement.

Francis 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 Balances - Total Governmental Funds	**$ (540,750)**
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.	
Capital outlays	1,883,180
Developer contributions	-
Depreciation/amortization expense	(243,853)
Net	1,639,327
The Statement of Activities shows pension benefits and pension expenses from the adoption of GASB 68 that are not shown in the fund statements.	(4,744)
Debt issued	-
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Long-term debt principal repayments	32,773
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.	
Change in compensated absences liability	-
Change in Net Position of Governmental Activities	**$ 1,126,606**

The notes to the financial statements are an integral part of this statement.

Francis City
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2025

	Water Fund	Sewer Fund	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	$ -	66,298	66,298
Accounts receivable, net	64,935	42,306	107,241
Due from other funds	-	1,084,417	1,084,417
Total current assets	64,935	1,193,021	1,257,956
Non-current assets:			
Restricted cash and cash equivalents	-	224,346	224,346
Capital assets:			
Not being depreciated	1,308,307	879,094	2,187,401
Net of accumulated depreciation	5,733,598	7,944,444	13,678,042
Net pension asset	-	-	-
Total non-current assets	7,041,905	9,047,884	16,089,789
Total assets	7,106,840	10,240,905	17,347,745
Deferred outflows of resources - pensions	28,041	18,026	46,067
Total assets and deferred outlfows of resources	**$ 7,134,881**	**10,258,931**	**17,393,812**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable	$ 207,018	22,885	229,903
Performance bonds held	1,246,250	-	1,246,250
Compensated absences	9,596	-	9,596
Due to other funds	1,084,417	-	1,084,417
Revenue bonds, current portion	-	220,000	220,000
Total current liabilities	2,547,281	242,885	2,790,166
Non-current liabilities:			
Due to developer	38,000	-	38,000
Net pension liability	20,069	12,901	32,970
Revenue bonds, non-current	-	3,740,000	3,740,000
Total non-current liabilities	58,069	3,752,901	3,810,970
Total liabilities	2,605,350	3,995,786	6,601,136
Deferred inflows of resources - pensions	379	244	623
Total liabilities and deferred inflows of resources	**2,605,729**	**3,996,030**	**6,601,759**
NET POSITION:			
Net investment in capital assets	5,757,655	4,863,538	10,621,193
Restricted for:			
Debt service	-	220,000	220,000
Impact fees	731,596	4,346	735,942
Unrestricted	(1,960,099)	1,175,018	(785,081)
Total net position	**4,529,152**	**6,262,902**	**10,792,054**
Total liabilities, deferred inflows of resources and net position	**$ 7,134,881**	**10,258,931**	**17,393,812**

The notes to the financial statements are an integral part of this statement.

Francis City

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

For the Year Ended June 30, 2025

	Water Fund	Sewer Fund	Total Enterprise Funds
Operating income:			
Charges for sales and service	$ 405,916	505,138	911,054
Connection fees	40,600	15,300	55,900
Other operating income	11,454	1,165	12,620
Total operating income	**457,970**	**521,603**	**979,574**
Operating expenses:			
Personnel services	198,430	71,157	269,587
Utilities	19,049	92,039	111,088
Repair and maintenance	294,529	58,030	352,559
Other supplies and expenses	35,013	10,878	45,891
Assesments	27,718	-	27,718
Depreciation expense	195,607	249,796	445,404
Total operating expense	**770,347**	**481,900**	**1,252,246**
Net operating income (loss)	**(312,376)**	**39,703**	**(272,673)**
Non-operating income (expense):			
Impact fees	322,958	137,826	460,784
Interest income	13,775	26,137	39,912
Interest on long-term debt	-	-	-
Total non-operating income (expense)	**336,733**	**163,963**	**500,696**
Income (loss) before capital contributions and transfers	**24,356**	**203,667**	**228,023**
Developer contributions	3,108	-	3,108
Capital grants	-	-	-
Transfers in (out)	(3,060)	(3,060)	(6,120)
Change in net position	**24,404**	**200,607**	**225,011**
Net position - beginning	4,504,748	6,062,295	10,567,043
Net position - ending	**$ 4,529,152**	**6,262,902**	**10,792,054**

The notes to the financial statements are an integral part of this statement.

Francis City

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2025

	Water Fund	Sewer Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers - service	$ 444,486	513,182	957,668
Cash paid to suppliers	(322,334)	(349,603)	(671,937)
Cash paid to employees	(195,971)	(69,576)	(265,547)
Net cash provided (used) in operating activities	**(73,818)**	**94,003**	**20,185**
Cash flows from noncapital financing activities:			
Interfund activity	1,081,357	(1,087,477)	(6,120)
Change in performance bonds held	-	-	-
Net cash provided (used) in noncapital financing activities	**1,081,357**	**(1,087,477)**	**(6,120)**
Cash flows from capital and related financing activities:			
Cash from impact fees	322,958	137,826	460,784
Cash from capital grants	-	-	-
Cash payments for capital assets	(629,792)	(565,698)	(1,195,490)
Cash payments for long-term debt principal	-	(220,000)	(220,000)
Cash payments for long-term debt interest	-	-	-
Net cash provided (used) in capital and related financing activities	**(306,834)**	**(647,872)**	**(954,706)**
Cash flows from investing activities:			
Cash received from interest earned	13,775	26,137	39,912
Net cash provided (used) in investing activities	**13,775**	**26,137**	**39,912**
Net increase (decrease) in cash	**714,480**	**(1,615,209)**	**(900,729)**
Cash balance, beginning	(714,480)	1,905,853	1,191,374
Cash balance, ending	**$ -**	**290,644**	**290,644**
Cash reported on the statement of net position:			
Cash and cash equivalents	$ -	66,298	66,298
Non-current restricted cash	-	224,346	224,346
Total cash and cash equivalents	**$ -**	**290,644**	**290,644**

The notes to the financial statements are an integral part of this statement.

Francis City

STATEMENT OF CASH FLOWS (continued)

For the Year Ended June 30, 2025

Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities:	Water Fund	Sewer Fund	Total Enterprise Funds
Net operating income (expense)	**$ (312,376)**	**39,703**	**(272,673)**
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:			
Depreciation and amortization	195,607	249,796	445,404
Changes in assets and liabilities:			
(Increase) decrease in receivables	(13,484)	(8,422)	(21,905)
(Increase) decrease in net pension asset	-	-	-
(Increase) decrease in deferred outflows	(3,338)	(2,145)	(5,483)
Increase (decrease) in payables	53,976	(188,657)	(134,681)
Increase (decrease) in compensated abences	-	-	-
Increase (decrease) in net pension liability	5,917	3,803	9,720
Increase (decrease) in deferred inflows	(120)	(77)	(197)
Net cash provided (used) in operating activities	**$ (73,818)**	**94,003**	**20,185**
Noncash financing and investing activities:			
Developer contributions	3,108	-	3,108

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Francis City (the City), a municipal corporation located in Summit County, Utah, operates under a Mayor-Council form of government. Formerly Francis Town, the City was designated as a City by Utah State following the population count in the 2010 census. The accompanying financial statements present the City and its component units, or entities for which the City is considered to be financially accountable.

The City has no component units and is not a component unit of another entity.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net position and the statement of activities report information on all the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A *function* is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

1-C. Measurement focus, basis of accounting and financial statement presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, 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, if any, receivable 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 measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Policy regarding use of restricted resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental funds:

The *general fund* is the government'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 projects fund* is used to account for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The City reports the following as non-major governmental funds:

The *Frontier Days special revenue fund* is used to aċcount for activity of the annual community celebration held by the City.

Proprietary funds

The City reports the following major proprietary funds:

The *water utility fund* is used to account for the activities regarding culinary water distribution.

The *sewer utility fund* is used to account for the activities regarding the operations of the sewer collection and disposal system.

1-E. Assets, Liabilities, and Net Assets or Equity

1-E-*1. Deposit and Investments*

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 2.

1-E-*2. Cash and Cash Equivalents*

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

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application.* Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

1-E-*3. Receivables and Payables*

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of any allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to* or *due from* other funds.

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-*3. Receivables and Payables* **(continued)**

Property taxes are assessed and collected for the City by Summit County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

1-E-*4. Restricted Assets*

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash.

1-E-*5. Inventories and Prepaid items*

Inventories in governmental funds consist of immaterial amounts of expendable supplies for consumption and are not reported. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

1-E-*6. Capital Assets*

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-*6. Capital Assets* (continued)

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	15-30
Utility systems	40
Infrastructure	30
Vehicles and equipment	5-7

1-E-*7. Long-term Obligations*

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt, are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

1-E-*8. Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

1-E-9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources related to pensions as required by GASB 68.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. Property taxes to be collected in November were unavailable in the current fiscal year. Accordingly, these property taxes are deferred and will be recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred inflows of resources related to pensions as required by GASB 68.

1-E. Assets, Liabilities, and Net Position or Equity (continued)

1-E-*10. Net position flow assumption*

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

1-E-*11. Fund balance flow assumptions*

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

1-E-*12. Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

1-E-*13. 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) and additions to/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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the City from creating a deficit fund balance by making expenditures in excess of amounts budgeted. Any deficit so created must be made up in the following fiscal year. Deficits arising from emergencies, however, may be retired over five years.

Once adopted, the budget may be amended by the City Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

2-B. Deficit fund net position

None of the City's funds have a deficit fund balance or net position; however, the water fund has a deficit unrestricted net position of $1,960,099.

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2025, consist of the following:

	Fair Value
Cash on hand	$ 52
Demand deposits	1,833,136
Investments - PTIF	4,719,549
Total cash	**$ 6,552,737**

Cash and investments listed above are classified in the accompanying government-wide statement of net position as follows:

Cash and cash equivalents (current)	$ 5,007,010
Restricted cash and cash equivalents (non-current)	1,545,726
Total cash and cash equivalents	**$ 6,552,737**

3-A. Deposits and investments (continued)

Deposits

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2025, $1,244,919 of the City's bank balances of $1,744,919 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 City 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 City 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 City'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 City to invest in 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 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 City 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, 2025, the City had $4,719,549 invested in the PTIF, which uses a Level 2 fair value measurement.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As of June 30, 2025, the City's investments of $4,719,549 in PTIF had an investment maturity of less than one year and are available immediately.

3-A. Deposits and investments (continued)

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 State's Money Management Act, as previously discussed. At June 30, 2025, the City's investments in the PTIF had an Unrated quality rating.

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 City'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. At June 30, 2025, all of the City's investments were invested in the PTIF.

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. This risk is addressed through the policy of investing excess monies only in PTIF.

3-B. Receivables

The allowance policy is described in Note 1-E-3. Receivables as of year-end for the City's funds are shown below:

	General Fund	Water Fund	Sewer Fund	Total
Property taxes	$ 437,475	-	-	437,475
Due from other governments	114,126	-	-	114,126
Customers	-	64,935	42,306	107,241
Total receivables	**$551,601**	**64,935**	**42,306**	**658,842**

3-C. Capital assets

Capital asset activity for governmental activities was as follows:

Governmental activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land rights	$ 601,551	-	-	601,551
Construction in progress	2,366,409	1,856,154	3,171,928	1,050,635
Total capital assets, not being depreciated	**2,967,960**	**1,856,154**	**3,171,928**	**1,652,186**
Capital assets, being depreciated:				
Buildings	508,387	3,171,928	-	3,680,315
Improvements other than buildings	2,368,306	-	-	2,368,306
Machinery and equipment	754,944	27,025	-	781,969
Right-to-use leases	227,887	-	-	227,887
Total capital assets, being depreciated	**3,859,524**	**3,198,954**	**-**	**7,058,478**
Less accumulated depreciation for:				
Buildings	264,855	18,189	-	283,044
Improvements other than buildings	920,167	113,247	-	1,033,414
Machinery and equipment	358,886	66,839	-	425,725
Right-to-use leases	22,789	45,577	-	68,366
Total accumulated depreciation	**1,566,696**	**243,853**	**-**	**1,810,549**
Total capital assets being depreciated, net	**2,292,828**	**2,955,101**	**-**	**5,247,929**
Governmental activities capital assets, net	**$ 5,260,788**	**4,811,255**	**3,171,928**	**6,900,115**

Depreciation expense was charged to functions/programs of the primary government governmental activities as follows:

Governmental activities:	
General government	$ 23,903
Highways and public improvements	198,407
Parks, recreation and public property	21,543
Total	**$ 243,853**

3-C. Capital assets (continued)

Capital asset activity for the business-type activities was as follows:

Business-type activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,578,263	-	-	1,578,263
Construction in progress	-	609,138	-	609,138
Total capital assets, not being depreciated	**1,578,263**	**609,138**	**-**	**2,187,401**
Capital assets, being depreciated:				
Water system	7,830,022	-	-	7,830,022
Sewer system	10,200,894	564,389	-	10,765,283
Machinery and equipment	255,877	2,616	-	258,493
Buildings and structures	78,595	-	-	78,595
Total capital assets, being depreciated	**18,365,388**	**567,005**	**-**	**18,932,393**
Less accumulated depreciation for:				
Water system	1,974,521	178,766	-	2,153,286
Sewer system	2,583,881	247,200	-	2,831,081
Machinery and equipment	174,089	17,299	-	191,388
Buildings and structures	76,455	2,139	-	78,595
Total accumulated depreciation	**4,808,947**	**445,404**	**-**	**5,254,351**
Total capital assets being depreciated, net	**13,556,441**	**121,601**	**-**	**13,678,042**
Business-type activities capital assets, net	**$ 15,134,704**	**730,739**	**-**	**15,865,443**

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

Business-type activities:	
Water	$ 195,607
Sewer	249,796
Total	**$ 445,404**

3-D. Long-term debt

Long-term debt activity for the governmental activities was as follows:

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2021 Freighliner Snowplow - Lease							
Matures 2/15/2028	$ 97,365	3.00	$ 54,360	-	14,050	40,310	14,619
2024 Right-to-use Leases							
Matures 8/1/2028	213,573	3.00	213,573	-	18,723	194,850	14,676
Total governmental activity long-term liabilities			**$ 267,933**	**-**	**32,773**	**235,160**	**29,295**

The City has acquired the 2021 Freightliner financed with a lease. The value of the asset acquired was $168,853, with $71,488 paid upfront and $97,365 financed. Accumulated depreciation at year-end amounted to $105,533, leaving a current book value of $63,320.

The 2024 right-to-use leases were comprised of two trucks and an excavator with an initial combined acquisition value of $227,887. Amortization of these assets amounted to $68,366 at year-end, leaving a current book value of $159,21.

Debt service requirements to maturity for governmental activities are as follows:

	Principal	Interest	Total
2026	$ 29,295	11,474	40,769
2027	64,114	11,326	75,440
2028	96,695	6,759	103,454
2029	45,057	1,352	46,408
Total	**$ 235,160**	**30,911**	**266,071**

3-D. Long-term debt

Long-term debt activity for the business-type activities was as follows:

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2014 Sewer Revenue Matures 10/1/2042	$ 5,500,000	-	$ 4,180,000	-	220,000	3,960,000	220,000
Total governmental activity long-term liabilities			**$4,180,000**	**-**	**220,000**	**3,960,000**	**220,000**

All bonds and notes are secured by the revenues of the respective water and sewer systems.

The 2014 Sewer Revenue loan was issued for upsizing the existing wastewater treatment lagoon system. At the time it was issued, the Water Quality Board also authorized a Design Advance in the amount of $1,094,000 and a Harship Grant/Principal Forgiveness amount of $2,275,000. As of June 30, 2023, the Design Advance had been paid in full, $2,275,000 of the Hardship Grant/Principal Forgiveness amount had been disbursed to the City, and the total loan amount of $5,500,000 had been disbursed to the City.

Revenue bond debt service requirements to maturity for business-type activities are as follows:

	Principal	Interest	Total
2026	$ 220,000	-	220,000
2027	220,000	-	220,000
2028	220,000	-	220,000
2029	220,000	-	220,000
2030	220,000	-	220,000
2031 - 2035	1,100,000	-	1,100,000
2036 - 2040	1,100,000	-	1,100,000
2041 - 2043	660,000	-	660,000
Total	**$3,960,000**	**-**	**$ 3,960,000**

NOTE 4 - OTHER INFORMATION

4-A. 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 Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

4-C. Liens and Encumbrances

Property in proprietary funds fixed assets consisting of: the land application site, winter storage area, and connecting roadway of the sewer project were purchased with a grant provided by the Environmental Protection Agency of the Unites States Government. They have, therefore, asserted a lien against the property. Their interest is 55% of the proceeds of any subsequent sale or current fair market value of the property. The City is restricted in the use of the property for the purposes of the original grant only, unless such use is no longer needed. If that situation occurs, the EPA may approve use in other EPA support projects or control the dispersal of value according to the appropriate percentages. Since the eligible cost of this property is $262,907, the lien is estimated at a minimum of $144,600 based on historical cost multiplied by 55%.

4-D. Commitments & Contingencies

The City is a defendant in certain legal actions and pending actions, or in process for miscellaneous claims. The ultimate liability that might result from the final resolution of the above matters is not presently determinable. The City management is of the opinion that the final outcome of the cases will not have an adverse material effect on the City's financial statements.

4-E. Subsequent Events

The City has evaluated subsequent events through December 31, 2025, the date the financial statements were available to be issued.

4-F. Pension Plans

General Information about the Pension Plan

Plan description:

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

Defined Benefit Plans

Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, public employee 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 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 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

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

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percentage per year of service	COLA **
Noncontributory System	Highest 3 Years	30 years any age 25 years any age* 20 years an 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Pulic Employees System	Highest 5 Years	35 years any age 20 years an 60* 10 years age 62* 4 years age 65	1.50% per year all years	Up to 2.5%

* with actuarial reductions
** All past-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.

4-F. Pension 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 Statement 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 are as follows:

Utah Retirement Systems	Employee Paid	Employer Contribution Rate	Employer Rate for 401(k) Plan
Contributory System			
111 Local Government Div - Tier 2	0.70	15.19	-
Noncontributory			
15 Local Governement Div - Tier1	-	16.97	-
Tier 2 DC Only			
211 Local Government	-	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 the fiscal year ended June 30, 2025, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Nonctributory System	$ 32,686	-
Tier 2 Public Employees System	17,359	786
Tier 2 DC Only System	6,984	-
Total Contributions	**$ 57,029**	**786**

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.

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

At June 30, 2025, we reported a net pension asset of $0 and a net pension liability of $71,674.

	(Measurement Date): December 31, 2024				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 12/31/2023	Change (Decrease)
Noncontributory System	$ -	63,272	0.0199527%	0.0188372%	0.0011155%
Tier 2 Public Employees System	-	8,402	0.0028171%	0.0035187%	-0.0007016%
Total	**$ -**	**71,674**			

4-F. Pension Plans (continued)

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 recognize pension expense of $65,675.

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	$ 41,333	$ 58
Changes in assumptions	8,040	1
Net difference between projected and actual earnings on pension plan investments	19,596	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,916	1,297
Contributions subsequent to the measurement date	29,260	-
Total	**$ 100,145**	**$ 1,355**

$29,260 was 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 December 31,	Net Deferred Outflows (Inflows) of Resources
2025	$ 36,570
2026	36,156
2027	(7,046)
2028	(566)
2029	1,922
Thereafter	2,492

4-F. Pension Plans (continued

Noncontributory System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, we recognize pension expense of $56,464.

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	$ 37,701	$ -
Changes in assumptions	5,234	-
Net difference between projected and actual earnings on pension plan investments	19,059	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	949
Contributions subsequent to the measurement date	17,064	-
Total	**$ 79,057**	**$ 949**

$17,064 was 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 December 31,	Net Deferred Outflows (Inflows) of Resources
2025	$ 35,567
2026	34,624
2027	(7,733)
2028	(1,412)
2029	-
Thereafter	-

4-F. Pension Plans (continued)

Tier 2 Public Employees System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, we recognize pension expense of $9,211.

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	$ 3,632	$ 58
Changes in assumptions	2,806	1
Net difference between projected and actual earnings on pension plan investments	537	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,916	348
Contributions subsequent to the measurement date	12,197	-
Total	**$ 21,087**	**$ 407**

$12,197 was 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 December 31,	Net Deferred Outflows (Inflows) of Resources
2025	$ 1,003
2026	1,533
2027	688
2028	846
2029	1,922
Thereafter	2,492

4-F. Pension 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 adopted 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. 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:

	Expected Return Arithmetic Basis		
Assets class	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	**100.00%**		**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%, a real return of 4.35% that is net of investment expense.

4-F. Pension Plans (continued)

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.

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 would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85 percent) or 1-percentage-point higher (7.85 percent) than the current rate:

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	$ 267,590	63,272	(108,084)
Tier 2 Public Employees System	25,094	8,402	(4,583)
Total	**$ 292,684**	**71,674**	**(112,667)**

Pension plan fiduciary net position:
Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Savings Plan:
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. The City participates in the following Defined Contribution Savings Plans with the Utah Retirement Systems:

- 401(k) Plan
- Roth IRA Plan

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

	2025	2024	2023
401(k) Plan			
Employer Contributions	$ 12,865	$ 11,225	$ 5,774
Employee Contributions	28,166	24,781	16,869
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	6,300	1,275	675

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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Budgetary Comparison Schedules

The Budgetary Comparison Schedule presented in this section of the report is for the City's General Fund.

Budgeting and Budgetary Control

The budget for the General Fund is legally required and is prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2025, expenditures did not exceed appropriations.

Changes in Assumptions Related to Pensions

There were no changes in actuarial assumptions or methods since the prior actuarial valuation.

Francis City

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2025

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues				
Taxes	$ 941,500	984,500	1,023,186	38,686
Licenses and permits	482,100	865,630	894,288	28,658
Intergovernmental revenues	161,400	242,883	243,512	629
Charges for services	23,325	21,960	23,754	1,794
Interest	158,000	160,000	162,944	2,944
Miscellaneous revenue	10,000	120,500	9,598	(110,902)
Total revenues	**1,776,325**	**2,395,473**	**2,357,282**	**(38,191)**
Expenditures				
General government	1,464,229	1,089,148	1,050,143	39,005
Highways and public improvements	241,214	173,778	132,399	41,379
Parks, recreation and public property	127,784	168,151	142,622	25,529
Total expenditures	**1,833,227**	**1,431,077**	**1,325,164**	**105,913**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(56,902)**	**964,396**	**1,032,118**	**67,722**
Other financing sources and (uses)				
Impact fees	89,280	122,000	120,150	1,850
Lease proceeds	-	-	-	-
Transfers in	6,120	6,120	6,120	-
Transfers out	(37,498)	(1,092,516)	(1,092,516)	-
Total other financing sources and (uses)	**57,902**	**(964,396)**	**(966,246)**	**1,850**
Net change in fund balances	**-**	**-**	**65,872**	**65,872**
Fund balances - beginning of year	832,474	832,474	832,474	-
Fund balances - end of year	**$ 832,474**	**832,474**	**898,345**	**65,872**

Francis City

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

June 30, 2025

Last 10 Fiscal Years

	As of December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Noncontributory Retirement System										
Proportion of the net pension liability (asset)	0.0199527%	0.0188372%	0.0174125%	0.0210599%	0.0189734%	0.0178975%	0.0149577%	0.0135540%	0.0124660%	0.0118629%
Proportionate share of the net pension liability (asset)	$ 63,272	$ 43,694	$ 29,823	$ (120,612)	$ 9,732	$ 67,453	$ 110,144	$ 59,384	$ 80,047	$ 67,126
Covered employee payroll	$ 171,273	$ 157,644	$ 137,668	$ 195,558	$ 231,918	$ 209,906	$ 127,497	$ 120,055	$ 115,219	$ 105,667
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.94%	27.72%	21.66%	-61.68%	4.20%	32.13%	86.39%	49.45%	69.47%	63.53%
Plan fiduciary net position as a percentage of the total pension liability	96.02%	96.90%	97.50%	108.70%	99.20%	93.70%	87.00%	91.90%	87.30%	87.80%
Tier 2 Public Employees Retirement System										
Proportion of the net pension liability (asset)	0.0028171%	0.0035187%	0.0045491%	0.0040703%	0.0014692%	0.0019525%	0.0034234%	0.0016589%	0.0000000%	0.0000000%
Proportionate share of the net pension liability (asset)	$ 8,402	$ 6,849	$ 4,953	$ (1,723)	$ 211	$ 439	$ 1,466	$ 146	$ -	$ -
Covered employee payroll	$ 83,204	$ 90,970	$ 99,109	$ 74,969	$ 23,355	$ 27,325	$ 39,819	$ 16,057	$ -	$ -
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.10%	7.53%	5.00%	-2.30%	0.90%	1.61%	3.68%	0.91%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	87.44%	89.58%	92.30%	103.80%	98.30%	96.50%	90.80%	97.40%	0.00%	0.00%

Francis City
SCHEDULE OF CONTRIBUTIONS
June 30, 2025
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 employee payroll	Contributions as a percentage of covered employee payroll**
Noncontributory Retirement System	2016	$ 20,422	$ 20,422	$ -	$ 110,568	18.47%
	2017	21,909	21,909	-	118,618	18.47%
	2018	22,398	22,398	-	121,267	18.47%
	2019	25,811	25,811	-	156,686	16.47%
	2020	33,084	33,084	-	234,493	14.11%
	2021	32,783	32,783	-	213,755	15.34%
	2022	29,594	29,594	-	160,228	18.47%
	2023	27,365	27,365	-	152,282	17.97%
	2024	29,934	29,934	-	166,576	17.97%
	2025	32,686	32,686	-	192,608	16.97%
Tier 2 Public Employees System*	2018	4,816	4,816	-	31,871	15.11%
	2019	7,811	7,811	-	50,331	15.52%
	2020	394	394	-	2,533	15.54%
	2021	5,723	5,723	-	36,219	15.80%
	2022	18,937	18,937	-	117,843	16.07%
	2023	17,377	17,377	-	108,541	16.01%
	2024	10,088	10,088	-	63,010	16.01%
	2025	17,359	17,359	-	114,281	15.19%
Tier 2 Public Employees DC Only System*	2021	-	-	-	-	0.00%
	2022	856	856	-	12,802	6.69%
	2023	3,487	3,487	-	56,341	6.19%
	2024	6,878	6,878	-	111,116	6.19%
	2025	6,984	6,984	-	133,731	5.22%

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

*Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative practices.

OTHER REPORTS

GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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

Honorable Mayor and City Council
Francis City, UT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Francis City, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Francis City's basic financial statements, and have issued our report thereon dated December 31, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Francis City'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 Francis City's internal control. Accordingly, we do not express an opinion on the effectiveness of Francis City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 Francis City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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 in 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.

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants
December 31, 2025
Provo, UT

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

Honorable Mayor and Members of the City Council
Francis City, Utah

REPORT ON COMPLIANCE

We have audited Francis City's ("the City") compliance with the applicable state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor for the year ended June 30, 2025.

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

Budgetary Compliance
Fund Balance
Restricted Taxes and Related Revenues
Fraud Risk Assessment
Government Fees
Cash Management
Impact Fees

Opinion on Compliance

In our opinion, the City complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the *State Compliance Audit Guide* (Guide), issued by the Office of the Utah State Auditor. Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's government programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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 Guide. Accordingly, this report is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G, Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants
Provo, UT
December 31, 2025

December 31, 2025

Gilbert & Stewart CPA's
190 W 800 N STE 100
Provo, UT 84601

This representation letter is provided in connection with your audit(s) of the financial statements of Francis City Corporation, which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 31, 2025, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 16, 2025, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3) We acknowledge our responsibility 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of the City or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the City and involves—

    - Management,
    - Employees who have significant roles in internal control, or
    - Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.

21) We have a process to track the status of audit findings and recommendations.

22) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

24) The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

26) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

27) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

29) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

30) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

31) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

32) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

33) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

34) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .

35) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

36) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

37) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

38) Provisions for uncollectible receivables have been properly identified and recorded.

39) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

40) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

41) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

42) Special and extraordinary items are appropriately classified and reported. [Omit or modify this item if there are no special or extraordinary items.]

43) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

44) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

45) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

46) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

47) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature: ______________________________

Title: ______________________________

FRANCIS CITY

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 30, 2025

GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

RANDEL A HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

Honorable Mayor and Members of the City Council
Francis City, Utah

December 31, 2025

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Francis City for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 16, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Francis City are described in Note 1 to the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the capital assets' useful life is based on the historical life of similar assets. We evaluated the key factors and assumptions used to develop the capital assets' useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

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HEBER, UT 84032
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Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 31, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Utah State Legal Compliance Findings – Current Year

No findings.

Utah State Legal Compliance Findings – Prior Year

24-1 Budgetary Compliance

Finding: The City's expenditures in the Highways & Public Improvements department of the general fund exceeded appropriated amounts by $86,914

Recommendation: We recommend the City review current year expenditures prior to year-end and amend the budget if necessary.

City's Response: Resolved in current year.

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

Very truly yours,

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants

FINANCIAL CERTIFICATION

Francis City

Under penalty of perjury, I, Mayor Jeremie Forman and City Recorder Suzanne Gillett, certify that: I have reviewed the annual financial report of Francis City for the year ended 6-30-2025. Based on my knowledge, the annual report does not contain any untrue statement of material fact or omit to state a material fact that would cause the statements to mislead. Based on my knowledge, the financial statements, and other information provided to the Office of the State Auditor, fairly presents in all material respects the financial condition and results of operation of Francis City for the year ended 6-30-2025. The other certifying officer and I are responsible for the fair presentation of financial reports and for the design, implementation, and evaluation of the internal controls over financial reporting for Francis City.

Signature: ______________________________ Signature: ______________________________

Chief Administrative Officer Chief Financial Officer

Notes:

a. This certification is required to be submitted with the annual financial report to the Office of the Utah State Auditor in accordance with *Utah Code* 11-50-201

b. *Utah Code* 11-50-202 designates the **chief administrative officer** as the individual appointed as the chief administrative officer of the political subdivision in accordance with statute; or if a chief administrative officer is not appointed in accordance with statute, the individual designated as the chief administrative officer by the governing body of the political subdivision. In designating a chief administrative officer, the governing body shall designate the individual who holds a managerial or similar position to perform administrative duties or functions for the political subdivision.

c. *Utah Code* 11-50-202 designates the **chief financial officer** as the individual appointed as the chief financial officer of the political subdivision in accordance with statute; or if a chief financial officer is not appointed in accordance with statute, the individual designated as the chief financial officer by the governing body of the political subdivision. In designating a chief financial officer, the governing body shall designate the individual who has primary responsibility for preparing the annual financial report.

December 31, 2025

Gilbert & Stewart CPA's
190 W 800 N STE 100
Provo, UT 84601

This representation letter is provided in connection with your audit(s) of the financial statements of Francis City Corporation, which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 31, 2025, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 16, 2025, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3) We acknowledge our responsibility 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

   a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

   b) Additional information that you have requested from us for the purpose of the audit.

   c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.

   d) Minutes of the meetings of the City or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the City and involves—

   - Management,
   - Employees who have significant roles in internal control, or
   - Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.

21) We have a process to track the status of audit findings and recommendations.

22) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

24) The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

26) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

27) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

29) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

30) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

31) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

32) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

33) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

34) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .

35) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

36) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

37) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

38) Provisions for uncollectible receivables have been properly identified and recorded.

39) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

40) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

41) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

42) Special and extraordinary items are appropriately classified and reported. [Omit or modify this item if there are no special or extraordinary items.]

43) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

44) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

45) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

46) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

47) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature: ______________________________

Title: ______________________________