

NEPHI CITY



BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2025

NEPHI CITY CORPORATION, UTAH
TABLE OF CONTENTS
June 30, 2025

	<u>Pages</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	5-9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to	
Net Position of Governmental Activities	16
Statement of Revenues, Expenditures, and Changes in	
Fund Balance – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in	
Fund Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Fiduciary Net Assets and Changes in	
Assets and Liabilities – Fiduciary Funds	22
Notes to the Financial Statements	23-47
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Budget and Actual – General Fund	50
Modified Approach for Infrastructure Reporting	51-52
Schedule of the Proportionate Share of the Net Pension Liability (URS)	53
Schedule of Contributions (URS)	54
Notes to Required Supplementary Information Relating to Pensions	55
SUPPLEMENTARY INFORMATION:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures and Changes	
Fund Balances – Nonmajor Governmental Funds	59
Combining Statement of Net Position – Nonmajor Enterprise Funds	60
Combining Statement of Revenues, Expenditures and Changes in	
Fund Net Position – Nonmajor Enterprise Funds	61
Combining Statement of Cash Flows Nonmajor Enterprise Funds	62

OTHER COMPLIANCE REPORTS

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 <i>Government Auditing Standards</i>	64
Independent Auditor's Report on Compliance and Report On Internal Control Over Compliance as Required By the <i>State Compliance Audit Guide</i>	65
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance With the <i>Uniform Guidance</i>	67
Schedule of Expenditures of Federal Awards	69
Notes to Federal Awards	70
Schedule of Findings and Questioned Costs	72



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the City Council
Nephi City Corporation, Utah

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nephi City ("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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nephi City, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nephi 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nephi 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 GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nephi City's basic financial statements. The combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2025 on our consideration of Nephi 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 the effectiveness of Nephi City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nephi City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Larson & Company, PC".

Larson & Company, PC

Spanish Fork, Utah
November 14, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Nephi City, we offer readers of the Nephi City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. It is designed to provide an overview of the City's financial activity. It is also intended to assist the reader in focusing on significant financial issues, including identifying changes in the City's financial position (its ability to address the next and subsequent years' challenges), identifying any material deviations from the approved budget, and identifying individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The total net position of the City increased by \$6,043,766, to \$71,799,642. The governmental net position increased by \$993,452, and the business-type net position increased by \$5,050,314.
- The total net position of \$71,799,642 is made up of \$49,047,543 net investment in capital assets and \$22,752,099 in other net assets.
- The General Fund (the primary operating fund) had a decrease in its fund balance of \$999 to \$1,206,987.

REPORTING THE CITY AS A WHOLE

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

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

- The statement of net position presents information on all of Nephi City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Nephi City is improving or deteriorating. However, other non-financial factors need to be considered.
- The statement of activities presents information showing how the City's net position changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both government-wide financial statements distinguish functions of Nephi 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).

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

Governmental funds - these funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The other governmental funds are determined to be non-major and are included in the combining statements within this report.

Proprietary funds - Nephi City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Nephi City uses enterprise funds to account for its Water Utility, Electric Utility, Natural Gas Utility, Sewer Utility, and Solid Waste. As determined by generally accepted accounting principles, the Water, Electric, and Natural Gas enterprise funds meet the criteria for major fund classification. The other proprietary funds are determined to be non-major and are included in the combining statements within this report.

Internal Service funds - these funds account for fleet management services provided to other departments or agencies of the government on a cost reimbursement basis. The Internal Service Fund is reported on the proprietary fund statements. In the government-wide financial statement, the Internal Service Fund is included with governmental activities since most of the services provided by the Internal Service Fund are for governmental purposes.

Fiduciary funds - these funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Nephi City, assets exceed liabilities by \$71,799,642.

By far the largest portion of Nephi City's net position (\$49,047,543) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets
June 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 9,612,916	\$ 12,868,998	\$ 17,047,980	\$ 23,270,512	\$26,660,896	\$ 36,139,510
Capital assets	24,200,249	19,838,678	50,657,108	43,969,882	74,857,357	63,808,560
Deferred outflows	773,985	734,990	398,719	378,630	1,172,704	1,113,620
Total assets	34,587,150	33,442,666	68,103,807	67,619,024	102,690,957	101,061,690
Other liabilities	1,701,367	1,521,377	(249,537)	3,270,766	1,451,830	4,792,143
Long-term liabilities outstanding	4,815,779	4,810,326	24,609,979	25,377,069	29,425,758	30,187,395
Deferred inflows	9,058	6,204	4,669	3,202	13,727	9,406
Total liabilities	6,526,204	6,337,907	24,365,111	28,651,037	30,891,315	34,988,944
Net position:						
Net investment in capital assets	20,240,001	15,659,678	28,807,542	12,608,032	49,047,543	28,267,710
Restricted	945,239	857,551	2,300,749	2,705,346	3,245,988	3,562,897
Unrestricted	6,875,706	10,587,530	12,630,405	23,654,609	19,506,111	34,242,139
Total net position	\$28,060,946	\$ 27,104,759	\$ 43,738,696	\$ 38,967,987	\$71,799,642	\$ 66,072,746

Change in Net Assets
June 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 2,916,810	\$ 2,658,784	\$ 23,481,192	\$ 21,492,742	\$ 26,398,002	\$ 24,151,526
Operating grants and contribs	418,868	353,201	-	-	418,868	353,201
Capital grants and contribs	1,303,861	957,494	1,447,606	540,000	2,751,467	1,497,494
General revenues:						
Property taxes	550,761	537,057	-	-	550,761	537,057
Other taxes	2,751,631	2,673,264	-	-	2,751,631	2,673,264
Gain/(Loss) on disposal	134,467	-	-	-	134,467	-
Unrestricted investment earnings	807,022	914,576	683,484	726,248	1,490,506	1,640,824
Other	541,900	323,665	149,245	171,293	691,145	494,958
Total revenues	9,425,320	8,418,041	25,761,527	22,930,283	35,186,847	31,348,324
Expenses:						
General government	2,671,247	977,169	-	-	2,671,247	977,169
Community and Economic Development	216,874	217,621	-	-	216,874	217,621
Public safety	3,039,037	2,534,570	-	-	3,039,037	2,534,570
Highways and pub. improvements	2,124,723	1,936,451	-	-	2,124,723	1,936,451
Parks, rec., & public property	2,468,308	2,710,599	-	-	2,468,308	2,710,599
Water	-	-	2,102,318	1,790,113	2,102,318	1,790,113
Sewer	-	-	299,618	254,994	299,618	254,994
Electric	-	-	10,054,521	10,087,858	10,054,521	10,087,858
Solid waste collection	-	-	615,809	493,249	615,809	493,249
Natural gas	-	-	5,550,626	5,762,667	5,550,626	5,762,667
Total expenses	10,520,189	8,376,410	18,622,892	18,388,881	29,143,081	26,765,291
Increase in net position before transfers	(1,094,869)	41,631	7,138,635	4,541,402	6,043,766	4,583,033
Transfers	2,088,321	1,194,365	(2,088,321)	(1,194,365)	-	-
Increase (decrease) in net position	993,452	1,235,996	5,050,314	3,347,037	6,043,766	4,583,033
Net position - beginning	27,104,759	25,868,763	38,967,987	35,620,950	66,072,746	61,489,713
Restatement for correction of an error	(37,265)	-	(279,605)	-	(316,870)	-
Net position - beginning, as restated	27,067,494	-	38,688,382	-	65,755,876	-
Net position - ending	\$ 28,060,946	\$ 27,104,759	\$ 43,738,696	\$ 38,967,987	\$ 71,799,642	\$ 66,072,746

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

The chart above includes a restatement of correction of an error in both the governmental fund and proprietary funds, reflecting a restated amount of (\$316,870) in 2025. This adjustment corrects an error from 2024 in which accounts receivable funds had not been reported in that time period.

As of June 30, 2025 the City's governmental funds (General, Capital Projects, and other governmental funds) reported combined fund balance of \$8,490,474. This represents a decrease of \$3,023,679 from last year's ending balances.

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

Taxes continue to be the largest source of revenue in the General Fund and represent 41% of total general fund revenues. The largest element of tax revenue is sales tax, as it has been for the last several years. It represents 64% of total tax revenues and represents 26% of total general fund revenues.

Total intergovernmental revenue in the governmental funds of \$1,503,900 consists of state grants and public safety. The largest portion of the state grants are Class C Road funds in the amount of \$656,032.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$6,953,064 to a final budget of \$8,076,756. The increase was due to projected increase of all department expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Nephi City's investment in capital assets for its governmental and business-type activities as of June 30, 2025 amounts to \$74,857,357 (net of accumulated depreciation). These capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, etc.), and machinery and equipment.

Major capital asset events during this fiscal year included the following:

Construction in Progress (infrastructure)	\$ 3,366,652
Machinery and Equipment	\$ 388,525
Buildings and Improvements	\$ 1,947,160

The City has elected to use the modified-approach for reporting infrastructure. This election allows the City to forego reporting depreciation on infrastructure assets, provided that the City has made a commitment to maintain those particular assets at predetermined condition levels. Detailed information on the City's modified approach for reporting infrastructure is presented in the Required Supplementary Information as indicated in the table of contents.

During the year, there were no significant changes in condition levels of infrastructure assets. For the past five years, the City has been able to maintain infrastructure at a level above its committed level of maintenance of 50% for "Fair or better" condition on roads and bridges. Roads and bridges with a rating of "very poor" were below the 15% maximum allowable level for the past 5 years.

The City spent less than estimated for maintenance of condition levels in the current year. During fiscal year 2025 the City spent \$437,067 on infrastructure compared to an estimate of \$486,206.

Long-term debt - At June 30, 2025 the City had total debt outstanding of \$28,332,748. This balance is made up of revenue bonds related to the electric power system improvements, revenue bonds related to a splash pad, revenue bonds related to construction of a public works facility, revenue bonds related to culinary water project, and compensated absences.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for Juab County was 3.6% compared with a state unemployment rate of 3.3% and a national rate of 4.3%. Juab County's rate in 2024 was 2.6% (Source: Utah Department of Workforce Services).

The General Fund budget for fiscal year ending June 30, 2025 reflects an increase of 13% over the final budget for the fiscal year ended June 30, 2024.

Some capital improvements budgeted for in the FY 2025 budget include:

- City Hall improvements
- Bridge replacement
- Street improvements

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Nephi 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:

City Recorder, Nephi City
21 East 100 North
Nephi, Utah 84648

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Basic Financial Statements

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NEPHI CITY CORPORATION

Statement of Net Position

As of June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash and cash equivalents	\$ 8,589,028	\$ 10,661,906	\$ 19,250,934
Joint venture investment	-	196	196
Receivables:			
Utility (net of allowance)	37,709	3,210,048	3,247,757
Other	204,200	8,129	212,329
Restricted cash	945,239	1,201,766	2,147,005
Internal balances	(163,260)	-	(163,260)
Inventory	-	1,965,935	1,965,935
Capital assets (net of accumulated depreciation):			
Land (not depreciated)	631,388	773,176	1,404,564
Buildings and improvements	12,403,664	32,526,008	44,929,672
Equipment	1,509,611	1,595,221	3,104,832
Infrastructure (not depreciated)	9,655,586	-	9,655,586
Construction in progress (not depreciated)	-	15,762,703	15,762,703
Total assets	33,813,165	67,705,088	101,518,253
Deferred outflows of resources - pensions	773,985	398,719	1,172,704
Total assets and deferred outflows of resources	34,587,150	68,103,807	102,690,957
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Accounts payable	1,285,702	130,318	1,416,020
Customer utility deposits	-	35,810	35,810
Interfund balances	415,665	(415,665)	-
Compensated absences	134,511	79,978	214,489
Non-Current:			
Due within one year	183,000	831,142	1,014,142
Due in more than one year	3,777,248	23,327,424	27,104,672
Net pension liability	721,020	371,435	1,092,455
Total liabilities	6,517,146	24,360,442	30,877,588
Deferred inflows of resources - pensions	9,058	4,669	13,727
Total Liabilities and Deferred Inflows of Resources	6,526,204	24,365,111	30,891,315
NET POSITION			
Net investment in capital assets	20,240,001	28,807,542	49,047,543
Restricted	945,239	2,300,749	3,245,988
Unrestricted	6,875,706	12,630,405	19,506,111
Total net position	\$ 28,060,946	\$ 43,738,696	\$ 71,799,642

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

NEPHI CITY CORPORATION

Statement of Activities

For the Year ended June 30, 2025

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 2,671,247	\$ 1,670,099	\$ -	\$ -	\$ (1,001,148)	\$ -	\$ (1,001,148)
Community and economic development	216,874	-	-	-	(216,874)	-	(216,874)
Public safety	3,039,037	187,123	408,618	-	(2,443,296)	-	(2,443,296)
Highways and public improvements	2,124,723	199,461	-	1,085,032	(840,230)	-	(840,230)
Parks, recreation, and public property	2,468,308	860,127	10,250	218,829	(1,379,102)	-	(1,379,102)
Total Governmental Activities	10,520,189	2,916,810	418,868	1,303,861	(5,880,650)	-	(5,880,650)
Business-type Activities:							
Water	2,102,318	2,155,120	-	-	-	52,802	52,802
Sewer	299,618	495,418	-	-	-	195,800	195,800
Electric	10,054,521	14,131,029	-	1,447,606	-	5,524,114	5,524,114
Natural Gas	5,550,626	6,109,775	-	-	-	559,149	559,149
Solid Waste	615,809	589,850	-	-	-	(25,959)	(25,959)
Total Business-type Activities	18,622,892	23,481,192	-	1,447,606	-	6,305,906	6,305,906
Total Primary Government	\$ 29,143,081	\$ 26,398,002	\$ 418,868	\$ 2,751,467	(5,880,650)	6,305,906	425,256
General revenues:							
Property tax					550,761	-	550,761
Franchise tax					35,656	-	35,656
Highway tax					488,844	-	488,844
Sales tax					1,995,862	-	1,995,862
Transient room tax					68,316	-	68,316
PAR tax					162,953	-	162,953
Unrestricted investment earnings					807,022	683,484	1,490,506
Transfers					2,088,321	(2,088,321)	-
Gain (loss) on sale of capital assets					134,467	-	134,467
Miscellaneous					541,900	149,245	691,145
Total general revenues and transfers					6,874,102	(1,255,592)	5,618,510
Change in net position					993,452	5,050,314	6,043,766
Net position - beginning					27,104,759	38,967,987	66,072,746
Restatement for correction of an error					(37,265)	(279,605)	(316,870)
Net position - beginning, as restated					27,067,494	38,688,382	65,755,876
Net position - ending					\$ 28,060,946	\$ 43,738,696	\$ 71,799,642

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

NEPHI CITY CORPORATION

Balance Sheet Governmental Funds As of June 30, 2025

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,308,811	\$ 6,280,217	\$ -	\$ 8,589,028
Restricted cash	-	-	945,239	945,239
Receivables:				
Accounts receivable	37,709	-	-	37,709
Other	66,172	138,028	-	204,200
Total assets	<u>2,412,692</u>	<u>6,418,245</u>	<u>945,239</u>	<u>9,776,176</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	201,973	79,997	-	281,970
Accrued liabilities	129,698	-	-	129,698
Development bonds and deposits	874,034	-	-	874,034
Total liabilities	<u>1,205,705</u>	<u>79,997</u>	<u>-</u>	<u>1,285,702</u>
Fund balances:				
Restricted	-	-	945,239	945,239
Assigned	-	6,338,248	-	6,338,248
Unassigned	1,206,987	-	-	1,206,987
Total fund balances	<u>1,206,987</u>	<u>6,338,248</u>	<u>945,239</u>	<u>8,490,474</u>
Total liabilities and fund balances	<u>\$ 2,412,692</u>	<u>\$ 6,418,245</u>	<u>\$ 945,239</u>	<u>\$ 9,776,176</u>

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

NEPHI CITY CORPORATION

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

As of June 30, 2025

Total fund balances - governmental fund types:	<u>\$ 8,490,474</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and net pension assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital Assets	24,200,249
Internal Service funds are used by management to charge the cost of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position, but not in the Statement of Net Position	(163,260)
Deferred inflows and outflows of resources, an acquisition or consumption of net position that applies to future periods, is not shown in the fund statements.	
Deferred outflows of resources relating to pensions	773,985
Deferred inflows of resources relating to pensions	(9,058)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Interfund Loan - Long Term	(415,665)
Compensated Absences	(134,511)
Bonds Payable	(3,960,248)
Net Pension Liability	<u>(721,020)</u>
Net Position of governmental activities	<u>\$ 28,060,946</u>

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

NEPHI CITY CORPORATION

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2025

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 3,139,439	\$ -	\$ 162,953	\$ 3,302,392
Licenses and permits	241,203	-	-	241,203
Intergovernmental revenue	1,085,032	418,868	-	1,503,900
Charges for services	1,182,477	-	25,745	1,208,222
Fines and forfeitures	101,244	-	-	101,244
Interest income	195,776	336,208	275,038	807,022
Miscellaneous	434,759	218,829	-	653,588
Administration charges	1,355,511	-	-	1,355,511
Total revenues	7,735,441	973,905	463,736	9,173,082
EXPENDITURES				
Current:				
General government	2,192,387	3,603,018	-	5,795,405
Community and economic development	-	-	216,874	216,874
Public safety	2,567,592	326,655	-	2,894,247
Highways and public improvements	437,067	1,418,742	-	1,855,809
Parks, recreation, and public property	2,409,788	785,430	28,307	3,223,525
Debt Services:				
Principal	114,041	-	59,934	173,975
Interest	104,599	-	20,648	125,247
Total expenditures	7,825,474	6,133,845	325,763	14,285,082
Excess revenues over (under) expenditures	(90,033)	(5,159,940)	137,973	(5,112,000)
Other financing sources (uses)				
Transfers in	1,552,897	2,165,474	72,715	3,791,086
Transfers out	(1,463,863)	(115,902)	(123,000)	(1,702,765)
Total other financing sources and uses	89,034	2,049,572	(50,285)	2,088,321
Excess of revenues and other sources over (under) expenditures and other uses	(999)	(3,110,368)	87,688	(3,023,679)
Fund balances - beginning of year	1,245,251	9,448,616	857,551	11,551,418
Restatement for correction of an error	(37,265)	-	-	(37,265)
Net position - beginning, as restated	1,207,986	-	-	11,514,153
Fund balances - end of year	\$ 1,206,987	\$ 6,338,248	\$ 945,239	\$ 8,490,474

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

NEPHI CITY CORPORATION

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 changes in fund balances - total governmental funds	<u>\$ (3,023,679)</u>
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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 the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	4,581,495
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Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	134,467
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Proceeds from the issuance of debt provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayments of bond and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Assets:

Interfund Loan Principal Repayment	(415,665)
Principal Repayment on Bonds	218,752

Internal service funds are used by management to charge the cost of motor pool to individual funds. The net revenue of certain activities of internal service funds are reported with the governmental activities.	(313,854)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Compensated Absences	(38,997)
Pension benefits/pension expenses resulting from the change in benefit obligations	<u>(149,067)</u>

Change in net position of governmental activities	<u><u>\$ 993,452</u></u>
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The notes to the financial statements are an integral part of this statement.

NEPHI CITY CORPORATION

Statement of Net Position

Proprietary Funds

As of June 30, 2025

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water Fund	Electric Fund	Natural Gas	Non-major Enterprise Funds	Total	
ASSETS AND DEFERRED OUTFLOWS						
Current assets:						
Cash and cash equivalents:						
Unrestricted	\$ 2,529,160	\$ 1,076,269	\$ 5,468,356	\$ 1,588,121	\$ 10,661,906	\$ -
Restricted	296,412	876,354	29,000	-	1,201,766	-
Joint venture investment	-	196	-	-	196	-
Receivables:						
Accounts receivable	5,763	-	1,101	1,265	8,129	-
Utilities (net of allowance)	192,384	2,661,247	251,869	104,548	3,210,048	-
Due to other funds	-	-	415,665	-	415,665	-
Inventory	-	1,741,357	224,578	-	1,965,935	-
Total current assets	<u>3,023,719</u>	<u>6,355,423</u>	<u>6,390,569</u>	<u>1,693,934</u>	<u>17,463,645</u>	<u>-</u>
Noncurrent assets:						
Property and equipment:						
Land	318,697	440,721	-	13,758	773,176	-
Construction in progress	-	15,762,703	-	-	15,762,703	-
Buildings and systems	23,425,754	14,313,199	8,806,372	2,377,396	48,922,721	-
Accumulated depreciation	(4,281,304)	(5,846,545)	(4,210,201)	(2,058,663)	(16,396,713)	-
Machinery and equipment	931,464	1,215,894	550,989	1,731,611	4,429,958	392,871
Accumulated depreciation	(490,763)	(913,587)	(347,414)	(1,082,973)	(2,834,737)	(57,191)
Total noncurrent assets	<u>19,903,848</u>	<u>24,972,385</u>	<u>4,799,746</u>	<u>981,129</u>	<u>50,657,108</u>	<u>335,680</u>
Total assets	<u>22,927,567</u>	<u>31,327,808</u>	<u>11,190,315</u>	<u>2,675,063</u>	<u>68,120,753</u>	<u>335,680</u>
Deferred outflows of resources:						
Deferred outflows related to pensions	82,089	175,906	105,543	35,181	398,719	-
Total Assets and Deferred Outflows	<u>23,009,656</u>	<u>31,503,714</u>	<u>11,295,858</u>	<u>2,710,244</u>	<u>68,519,472</u>	<u>335,680</u>
LIABILITIES AND DEFERRED INFLOWS						
Current liabilities:						
Accounts payable	67,902	17,909	7,180	37,327	130,318	-
Due to other funds	-	-	-	-	-	163,260
Customer utility deposits	270	6,540	29,000	-	35,810	-
Compensated absences payable	7,492	40,794	8,824	22,868	79,978	-
Current portion of note payable	-	535,000	-	-	535,000	-
Current portion of long-term debt	296,142	-	-	-	296,142	-
Total current liabilities	<u>371,806</u>	<u>600,243</u>	<u>45,004</u>	<u>60,195</u>	<u>1,077,248</u>	<u>163,260</u>
Noncurrent liabilities:						
Net pension liability	76,472	163,868	98,321	32,774	371,435	-
Notes payable	-	1,774,000	-	-	1,774,000	-
Bonds payable	13,410,424	8,143,000	-	-	21,553,424	-
Total noncurrent liabilities	<u>13,486,896</u>	<u>10,080,868</u>	<u>98,321</u>	<u>32,774</u>	<u>23,698,859</u>	<u>-</u>
Total liabilities	<u>13,858,702</u>	<u>10,681,111</u>	<u>143,325</u>	<u>92,969</u>	<u>24,776,107</u>	<u>163,260</u>
Deferred inflows of Resources:						
Deferred inflows related to pensions	962	2,061	1,235	411	4,669	-
Total Liabilities and Deferred Inflows	<u>13,859,664</u>	<u>10,683,172</u>	<u>144,560</u>	<u>93,380</u>	<u>24,780,776</u>	<u>163,260</u>
NET POSITION						
Net investment in capital assets	6,197,282	16,829,385	4,799,746	981,129	28,807,542	335,680
Restricted:						
Expendable	-	334,814	-	-	334,814	-
Nonexpendable	-	1,741,357	224,578	-	1,965,935	-
Unrestricted	2,952,710	1,914,986	6,126,974	1,635,735	12,630,405	(163,260)
Total Net Position	<u>\$ 9,149,992</u>	<u>\$ 20,820,542</u>	<u>\$ 11,151,298</u>	<u>\$ 2,616,864</u>	<u>\$ 43,738,696</u>	<u>\$ 172,420</u>

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

NEPHI CITY CORPORATION

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds				Total Business Type	Governmental Activities - Internal Service Fund
	Water Fund	Electric Fund	Natural Gas	Non-major Enterprise Funds		
Operating revenues:						
Charges for sales and services	\$ 1,634,949	\$ 13,388,458	\$ 6,109,775	\$ 1,085,268	\$ 22,218,450	\$ -
Impact fees	520,171	742,571	-	-	1,262,742	-
Miscellaneous	-	102,145	42,554	4,546	149,245	117,771
Total operating revenues	2,155,120	14,233,174	6,152,329	1,089,814	23,630,437	117,771
Operating expenses:						
Employee salaries	262,073	691,626	364,427	143,158	1,461,284	-
Employee benefits	187,966	407,818	203,885	108,445	908,114	-
Contractual services	177,431	1,829	24,967	296,413	500,640	-
Supplies	427,217	151,169	33,208	43,610	655,204	-
Materials	39,592	203,053	183,469	6,132	432,246	-
Administrative charges	132,960	653,097	493,629	75,828	1,355,514	-
Fuel and oil	-	-	6,925	18,102	25,027	-
Repairs and maintenance	64,341	35,007	31,882	20,048	151,278	-
Bad debt expenses	831	4,577	1,228	659	7,295	-
Depreciation and amortization	587,659	409,504	251,485	200,508	1,449,156	89,945
Power and natural gas purchases	-	7,123,221	3,919,330	2,157	11,044,708	-
Miscellaneous	13,696	26,656	34,136	367	74,855	6,000
Total operating expenses	1,893,766	9,707,557	5,548,571	915,427	18,065,321	95,945
Operating income	261,354	4,525,617	603,758	174,387	5,565,116	21,826
Nonoperating revenues (expenses):						
Interest revenue	142,243	210,406	267,411	63,424	683,484	-
Interest expense and fiscal charges	(208,552)	(346,964)	(2,055)	-	(557,571)	-
Intergovernmental	-	1,447,606	-	-	1,447,606	-
Transfers In (Out)	(973,103)	(581,190)	(457,459)	(76,569)	(2,088,321)	-
Total nonoperating revenues (expenses)	(1,039,412)	729,858	(192,103)	(13,145)	(514,802)	-
Change in net position	(778,058)	5,255,475	411,655	161,242	5,050,314	21,826
Total Net Position - Beginning	10,015,059	15,730,735	10,749,447	2,472,746	38,967,987	150,594
Restatement for correction of an error	(87,009)	(165,668)	(9,804)	(17,124)	(279,605)	-
Net position - beginning, as restated	9,928,050	15,565,067	10,739,643	2,455,622	38,688,382	-
Total Net Position - Ending	\$ 9,149,992	\$ 20,820,542	\$ 11,151,298	\$ 2,616,864	\$ 43,738,696	\$ 172,420

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

NEPHI CITY CORPORATION

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Electric	Natural Gas	Non-major Enterprise Funds	Total	
Cash Flows From Operating Activities						
Receipts from customers	\$ 2,130,570	\$ 12,542,852	\$ 5,673,148	\$ 1,095,116	\$ 21,441,686	\$ -
Miscellaneous receipts	-	102,145	42,554	4,546	149,245	117,771
Payments to suppliers	(751,211)	(10,312,873)	(4,360,483)	(386,230)	(15,810,797)	(6,000)
Payments for interfund services	(132,960)	(653,097)	(493,629)	(75,828)	(1,355,514)	-
Payments to employees	(434,229)	(1,065,566)	(547,986)	(244,828)	(2,292,609)	-
Net cash provided (used) by operating activities	812,170	613,461	313,604	392,776	2,132,011	111,771
Cash Flows From Non-Capital and Related Financing Activities						
Transfers in (out)	(973,103)	(581,190)	(457,459)	(76,569)	(2,088,321)	-
Intergovernmental non-operating grants	-	1,447,606	-	-	1,447,606	-
Net cash provided (used) by non-capital and related financing activities	(973,103)	866,416	(457,459)	(76,569)	(640,715)	-
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	(497,466)	(8,244,251)	(228,616)	(11,189)	(8,981,522)	(320,163)
Dispositions of capital assets	845,694	-	-	-	845,694	45,132
Principal paid on capital debt	(294,791)	(593,000)	-	-	(887,791)	-
Proceeds from interfund loan	-	-	-	-	-	163,260
Interest paid on capital debt	(208,552)	(346,964)	(2,055)	-	(557,571)	-
Net cash provided (used) by capital and related financing activities	(155,115)	(9,184,215)	(230,671)	(11,189)	(9,581,190)	(111,771)
Cash Flows From Investing Activities						
Interest received	142,243	210,406	267,411	63,424	683,484	-
Net cash provided (used) by investing activities	142,243	210,406	267,411	63,424	683,484	-
Net increase (decrease) in cash and cash equivalents	(173,805)	(7,493,932)	(107,115)	368,442	(7,406,410)	-
Cash and cash equivalents, July 1	3,086,386	9,612,223	5,614,275	1,236,803	19,549,687	-
Restatement for correction of an error	(87,009)	(165,668)	(9,804)	(17,124)	(279,605)	-
Cash and cash equivalents, June 30	<u>\$ 2,825,572</u>	<u>\$ 1,952,623</u>	<u>\$ 5,497,356</u>	<u>\$ 1,588,121</u>	<u>\$ 11,863,672</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	\$ 261,354	\$ 4,525,617	\$ 603,758	\$ 174,387	\$ 5,565,116	\$ 21,826
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization expense	587,659	409,504	251,485	200,508	1,449,156	89,945
Decrease (increase) in accounts receivable	(24,550)	(1,588,177)	(20,962)	9,848	(1,623,841)	-
Decrease (increase) in inventory	-	87,636	72,722	-	160,358	-
Decrease (increase) in notes receivable from other funds	-	-	(415,665)	-	(415,665)	-
Change in GASB 68 pension/benefit	15,810	33,878	20,326	6,775	76,789	-
Increase (decrease) in accounts payable	(28,103)	(2,854,997)	(198,060)	1,258	(3,079,902)	-
Increase (decrease) in deferred revenue	-	-	-	-	-	-
Total adjustments	550,816	(3,912,156)	(290,154)	218,389	(3,433,105)	89,945
Net cash provided (used) by operating activities	<u>\$ 812,170</u>	<u>\$ 613,461</u>	<u>\$ 313,604</u>	<u>\$ 392,776</u>	<u>\$ 2,132,011</u>	<u>\$ 111,771</u>
Reconciliation of cash and cash equivalents to the statement of net position:						
Unrestricted cash and cash equivalents	\$ 2,529,160	\$ 1,076,269	\$ 5,468,356	\$ 1,588,121	\$ 10,661,906	\$ -
Restricted cash and cash equivalents	296,412	876,354	29,000	-	1,201,766	-
Total cash and cash equivalents reported on the statement of net position	<u>\$ 2,825,572</u>	<u>\$ 1,952,623</u>	<u>\$ 5,497,356</u>	<u>\$ 1,588,121</u>	<u>\$ 11,863,672</u>	<u>\$ -</u>

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

NEPHI CITY CORPORATION

Statement of Fiduciary Net Assets and Changes in Assets and Liabilities – Fiduciary Funds

As of June 30, 2025

Custodial Funds - Justice Court

	Balance 6/30/2024	Additions	Deductions	Balance 6/30/2025
ASSETS				
Cash and cash equivalents	\$ 27,725	\$ 19,764	\$ (39,134)	\$ 8,355
Total Assets	<u>27,725</u>	<u>19,764</u>	<u>(39,134)</u>	<u>8,355</u>
LIABILITIES				
Accounts payable	4,090	105,432	(105,087)	4,435
Bail bonds payable	23,635	17,905	(37,620)	3,920
Total Liabilities	<u>\$ 27,725</u>	<u>\$ 123,337</u>	<u>\$ (142,707)</u>	<u>\$ 8,355</u>

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

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Nephi City conform to accounting principles generally accepted in the United States of America as applicable to governments. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

Nephi City is a political subdivision of the State of Utah. The City is governed by a mayor and an elected board of five council members. Financial statements may include those of separately administered organizations that are controlled by or are dependent on a City. Control or dependence is determined on the basis of financial interdependence, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters. Using these criteria, no potential component units are included in the City's financial statements.

The City's financial reporting entity comprises the following:

Primary Government:	City of Nephi
Component Units:	None

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services. Revenues are classified as either program revenues, or general revenues. Program revenues are specific to a function of the government.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

Permanent Fund

The Permanent Fund accounts for assets held by the City pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Water, Sewer, Natural Gas, Solid Waste, and Electric funds. Revenues and expenses are separated between operating and non-operating.

Internal Service Fund

Internal Service Funds account for fleet management services provided to other departments or agencies of the government on a cost reimbursement basis.

Major and Nonmajor Funds

The funds are further classified as major or non-major as follows:

Fund	Brief Description
Major:	
General Fund	See above for description.
Capital Projects Fund	Accounts for revenues and expenditures on capital projects.
Proprietary Funds:	
Water, Electric and Gas	Accounts for revenues and expenditures of the Water, Electric and Gas utilities.
Nonmajor:	
Proprietary Funds:	
Sewer and Solid Waste	Accounts for revenues and expenditures of the Sewer and Solid Waste.
Fleet Fund	This fund provides fleet services to other funds.
Special Revenue Funds:	
PAR Tax	Tax collected to help fund parks, arts and recreation
Local Building Authority	Accounts for revenues and expenditures for the purpose of constructing, acquiring, improving and/or extending city projects. Accounts for revenues and expenditures for funds such as the redevelopment agency.
Industrial Development	
Permanent Funds:	
Justice Court	This fund includes resources that are legally restricted as it includes, monies held by the City for this.

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.G. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventory is valued at the lower of cost or market value and the City uses the first-in, first-out (FIFO) flow assumption determined by the moving weighted average method. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the infrastructure assets acquired prior to June 30, 2004.

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

Prior to July 1, 2003, not all governmental funds' infrastructure assets were capitalized. The City's streets and right of way assets are now capitalized and included as part of the governmental funds' infrastructure assets. The City has capitalized road improvements and road rehabilitation over the previous 16 years as the value of its roads. Historical values for the City's other infrastructure have been determined by calculating length, miles, or acres and then using an average cost factor to determine the historical value to be capitalized as the value for the infrastructure.

The condition of road pavement is measured using the AASHTO pavement management system, which is based on stress factors found in pavement surfaces. The AASHTO pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good condition (70-100), fair (50-69), and substandard condition (less than 50). It is the City's policy to maintain at least 60 percent of its road system at a good or better condition level. No more than 15 percent should be in substandard condition. Condition assessments are determined every year.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Building and Improvements	45 years	45 years
Machinery and Equipment	10 to 15 years	10-15 years
Vehicles	7 years	7 years
Infrastructure	65 years	65 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets consist of various cash balances that are restricted as to their use. Certain cash balances are restricted by provisions of the bond resolutions. These include the bond, and emergency repairs accounts in the enterprise funds. Customer deposits are also restricted in the enterprise funds. Amounts are held in the fund for future burial and cemetery costs. Class C Road revenue not spent is restricted in the general fund to be used for future roadwork and funds are held for the fire department to be used for future expenditures.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and a court-assessed judgment.

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

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

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.

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 it will not be recognized as an inflow of resources (revenue) until then.

Equity Classifications

Government-wide Statements

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

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

Fund Statements

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned, or Unassigned. See Note 3.H. for additional disclosures.

- a. Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- b. Restricted fund balance classifications are restricted by enabling legislation. Also reported if (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- c. Committed fund balance classification include those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority.
- d. Assigned fund balance classification include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Also includes all remaining amounts that are reported in governmental funds, other than the General Fund that are not classified as nonspendable, restricted, nor committed or in the General Fund, that are intended to be used for specific purposes.

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

- e. Unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Property taxes are based on the assessments against property owners. Tax levies on such assessed values are certified to Juab County prior to the commencement of the fiscal year. 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 of each year. Property taxes are collected by the Juab County Treasurer and remitted to the City shortly after collection.

Sales taxes are collected by the Utah State Tax Commission and are remitted to the City monthly.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character:

- Current (further classified by function)
- Debt Service
- Capital Outlay

Proprietary Fund—By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City determines whether to use restricted or unrestricted assets on a case by case basis.

When an expenditure is incurred for purposes for which either committed, assigned, or unassigned fund balances are available, the City determines which fund balance classification to use on a case by case basis.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

1.F. 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

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund</u>	<u>Required By</u>
General Fund	State Law
Cemetery Perpetual Care Fund	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City funds. Deposits are not collateralized, nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit 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 Commissioner of Financial Institutions as meeting the requirements of the Utah Money Management Act and adhering to the rules of the Utah Money Management Council.

The Utah Money Management Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America, repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements, or certain other investments.

The Utah Public Treasurers' Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the moneys from several entities to improve investment efficiency and yield. These moneys are invested primarily in money market securities and contain no withdrawal restrictions. As such, the moneys invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. Financial statements for the UPTIF can be obtained from the Utah State Treasurers Office.

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax Revenue	See Note 1.E.
Water, Sewer, Electric and Gas Revenue	Debt Service and Utility Operations
Cemetery Revenue	Perpetual Care
B & C Road Revenues	Eligible B & C Roads
State Liquor Revenues	State Law
Grant Revenues	Grant Requirements

For the year ended June 30, 2025, the City complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

No debt in excess of total revenue for the current year shall be created by any city unless the proposition to create such debt shall have been submitted to a vote of qualified electors. Cities shall not contract for debt to an amount exceeding four percent of the fair market value of taxable property in their jurisdictions. For the year ended June 30, 2025, the City had no outstanding general obligation debt.

Other Long-term Debt

Cities may incur a larger indebtedness for the purpose of supplying such city water, sewer, or electricity when such public works are owned and controlled by the municipality. The additional indebtedness shall not exceed four percent for first and second class cities and eight percent for third class cities. For the year ended June 30, 2025, the City had \$21,849,011 of such indebtedness.

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Utah Code 10-6-116(4) indicates the only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 35% of the total estimated revenue of the general fund. (10-6-116(2)) The City did not have any deficit equity balances in any of their funds at June 30, 2025.

2.F. BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits

Deposits – Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of June 30, 2025, The City's custodial credit risks for deposits are as follows:

	Custodial Credit Risk	Balance 6/30/2025
Depository Accounts	Insured	\$ 500,000
	Uninsured and uncollateralized	1,334,425
	Total Depository Accounts	<u>\$ 1,834,425</u>

Investments

As of June 30, 2025 the government had the following investments and maturities:

	Fair Value	Investment Maturity in Years			
		Less Than 1	1-5	6-10	More Than 10
Investments in Public					
Treasurers' Investment Fund	\$ 15,191,978	\$ 15,191,978	\$ -	\$ -	\$ -
Money Market	513,659	513,659	-	-	-
Other corporate bonds	6,097,659	6,097,659	-	-	-
Total Fair Value	<u>\$ 21,803,296</u>	<u>\$ 21,803,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

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 \$15,191,978 invested in the UPTIF, which uses a Level 2 fair value measurement. All other investments of \$6,611,318 are valued under a Level 1 fair value measurement.

Credit Risk – The City follows the requirements of the Utah Money Management act (Section 61, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers' Investment Fund (UPTIF), trade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligation of government entities within the State of Utah. The UPTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the UPTIF. The degree of risk of the UPTIF depends upon the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices. The UPTIF is unrated.

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

The deposits and investments described on the previous page are included on the Statement of Net Assets as per the following reconciliation:

Reconciliation to Government-wide Statement of Net Assets:

Deposits	Deposits	\$	(397,926)
Investments	Investments		21,803,296
Cash on hand	Cash on hand		925
	Total		<u>\$21,406,294</u>

Government - Wide

Cash and Cash Equivalents	Unrestricted	\$	19,250,934
Restricted Cash	Restricted		2,147,005
Fiduciary Restricted Cash	Agency		8,355
	Total		<u>\$21,406,294</u>

3.B. RESTRICTED ASSETS

The restricted assets as of June 30, 2025, are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
Business-Type Activities:				
Customer Deposits	\$ 35,810	\$ -	\$ -	\$ 35,810
Reserves for repair and replacement	876,354	-	-	876,354
Reserves for inventory	557,443	-	-	557,443
Bond Reserve Payment	831,142	-	-	831,142
Total	<u>2,300,749</u>	<u>-</u>	<u>-</u>	<u>2,300,749</u>
Governmental Activities:				
Perpetual Care	220,468	-	-	220,468
Industrial Development	421,739	-	-	421,739
Community Redevelopment Agency	48,273	-	-	48,273
PAR Tax	253,727	-	-	253,727
Local Building Authority	1,032	-	-	1,032
Total	<u>945,239</u>	<u>-</u>	<u>-</u>	<u>945,239</u>
Grand Totals	<u>\$ 3,245,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,245,988</u>

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable from the Water, Sewer, Electric, Natural Gas, and Solid Waste utilities. Receivables detail at June 30, 2025, is as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable	\$ 242,866	\$ 3,258,042	\$ 3,500,908
Allowance for Doubtful Accounts	(957)	(39,867)	(40,824)
Net Accounts Receivable	<u>\$ 241,909</u>	<u>\$ 3,218,175</u>	<u>\$ 3,460,084</u>

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance at 6/30/2024	Additions	Transfers/ Disposals	Balance at 6/30/2025
Governmental Activities:				
Land	\$ 481,388	\$ 150,000	\$ -	\$ 631,388
Buildings	5,875,027	500,040	11,371,880	17,746,947
Other Improvements	12,106,622	1,447,120	(11,416,606)	2,137,136
Equipment	3,484,926	388,525	(423,532)	3,449,919
Infrastructure	6,288,934	3,366,652	-	9,655,586
Construction in progress	210,000	-	(210,000)	-
Totals at historical cost	28,446,897	5,852,337	(678,258)	33,620,976
Less Accum. Depreciation				
Buildings	(265,836)	(503,934)	(5,838,543)	(6,608,313)
Other Improvements	(6,335,471)	(419,903)	5,883,268	(872,106)
Equipment	(2,006,912)	(152,521)	219,125	(1,940,308)
Total Accum. Depreciation	(8,608,219)	(1,076,358)	263,850	(9,420,727)
Governmental Activities capital assets, net	\$ 19,838,678			\$ 24,200,249
Business-type activities:				
Construction in Progress	\$ 8,910,027	\$ 6,901,655	\$ (48,979)	\$ 15,762,703
Land	773,176	-	-	773,176
Buildings & Improvements	48,227,599	1,917,506	(1,222,390)	48,922,715
Machinery & Equipment	4,246,437	211,893	(28,366)	4,429,964
Totals at historical cost	62,157,239	9,031,054	(1,299,735)	69,888,558
Less Accum. Depreciation				
Buildings	(15,636,754)	(1,136,650)	376,697	(16,396,707)
Machinery & Equipment	(2,550,603)	(312,506)	28,366	(2,834,743)
Total Accum. Depreciation	(18,187,357)	(1,449,156)	405,063	(19,231,450)
Business-type activities capital assets, net	\$ 43,969,882			\$ 50,657,108

Depreciation expense was charged to governmental activities as follows:

General government:

General Government	\$ 261,081
Public Safety	7,223
Highways and Public Improvements	412,491
Parks and Recreation	395,564
Internal Service Activities	89,945
Total depreciation expense	\$ 1,166,304

3.E. ACCOUNTS PAYABLE

Payables in the general fund and non-major governmental funds are composed of various vendor payables and payroll payables such as FICA Payable, Federal and State Withholdings and Workers Compensation Payable. Payables in the business-type funds are composed of various vendor payables and accrued interest payable for the bonds.

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

3.F. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities:

As of June 30, 2025, the long-term debt payable from governmental funds resources consisted of the following:

Compensated absences: \$ 134,511

Revenue Bonds:

Sales Tax Revenue Bonds, Dated September 6, 2011, 0% interest (original amount \$600,000 to mature in 2042). Secured by future sales tax	340,000
Lease Revenue Bonds Series 2019, Dated August 28, 2019, 2.5% interest (original amount \$1,006,000 to mature in 2049).	763,248
Sales Tax Revenue Bonds, Dated March 9, 2022, 0% interest (original amount \$3,250,000 to mature in 2042). Secured by future sales tax	2,857,000
Total Governmental Debt	\$ 4,094,759

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2025:

Type of Debt	Balance 6/30/2024	Additions	Deductions	Balance 6/30/2025
Governmental Activities:				
Bonds Payable	\$ 3,351,000	\$ -	\$ (154,000)	\$ 3,197,000
Direct Borrowing	828,000	-	(64,752)	763,248
Total Governmental Fund Debt	<u>\$ 4,179,000</u>	<u>\$ -</u>	<u>\$ (218,752)</u>	<u>\$ 3,960,248</u>

Business-type Activities:

As of June 30, 2025, the long-term debt payable from proprietary funds resources consisted of the following:

Compensated absences: \$ 79,978

Revenue Bonds:

2020 Chase Loan. Dated April 1, 2020, carries a 1.58% interest rate (original amount \$3,466,000 to mature in 2035)	2,309,000
Parity Water Revenue Bond Series 2020 A through C	13,706,011
Electric Revenue Bonds, Dated June 12, 2024, at variable interest (original amount \$8,500,000 to mature in 2044). Secured by future sales tax	8,143,000
Total Business-Type Debt	\$ 24,237,989

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2025:

Type of Debt	Balance 06/30/24	Additions	Deductions	Balance 6/30/2025
Business-Type Activities:				
Bonds Due in More Than One Year	\$ 22,500,802	\$ -	\$ (651,791)	\$ 21,849,011
Notes Due in More Than One Year	2,545,000	-	(236,000)	2,309,000
Total Enterprise Fund Debt	<u>\$ 25,045,802</u>	<u>\$ -</u>	<u>\$ (887,791)</u>	<u>\$ 24,158,011</u>

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

The revenue bonds are payable only from the net revenues of the water and sewer system, as defined in the bond ordinances. The ordinances further provide that the City establish certain accounts and reserves for bond payment and that all revenues of the system are to be used for operation and maintenance costs of the systems, principal and interest on the bonds, and establishment of the defined debt repayment reserves.

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2025, are as follows:

Year Ending June 30	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2026	\$ 183,000	\$ 91,915
2027	187,000	87,853
2028	191,000	83,692
2029	196,000	79,431
2030	200,000	75,047
2031 to 2035	1,069,000	305,714
2036 to 2040	1,196,000	178,840
2041 to 2045	638,000	50,988
2046 to 2050	100,248	10,325
Total	<u>\$ 3,960,248</u>	<u>\$ 963,805</u>

Year Ending June 30	Business-type Activities	
	Bonds Payable	
	Principal	Interest
2026	\$ 831,142	\$ 520,990
2027	849,585	510,593
2028	867,092	499,120
2029	885,669	486,553
2030	908,314	472,822
2031 to 2035	4,609,722	2,113,330
2036 to 2040	4,096,656	2,538,396
2041 to 2045	4,234,608	928,837
2046 to 2050	2,055,036	463,904
2051 to 2055	4,820,187	444,192
Total	<u>\$ 24,158,011</u>	<u>\$ 8,978,737</u>

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

3.G. INTERFUND TRANSACTIONS AND BALANCES

Administration Charges, General Services, and Contributions from Other Funds

Administrative charges in the enterprise funds represent payments to the general fund to compensate for billing and administrative services provided by City personnel. General services in the enterprise funds represent payments to the general fund for equipment and operating services provided by other City departments. Contributions from other funds are administrative charges and general services, referred to as Indirect Services, paid by the enterprise funds and are reported as revenue in the general fund.

Operating Transfers:

Fund	Transfers Out	Transfers In
General Fund	\$ 1,463,863	\$ 1,552,897
Capital Projects Fund	115,902	2,165,474
Other Governmental Funds	123,000	72,715
Water Fund	973,103	-
Electric Fund	581,190	-
Natural Gas	457,459	-
Non-major Enterprise Funds	76,569	-
Total	\$ 3,791,086	\$ 3,791,086

Administrative Charges:

Fund	Administrative Charges Paid	Administrative Charges
General Fund	\$ -	\$ 1,355,514
Water Indirect Services	132,960	-
Electric Indirect Services	653,097	-
Natural Gas Indirect Services	493,629	-
Sewer Indirect Services	28,812	-
Solid Waste Indirect Services	47,016	-
Total Administrative Charges	\$ 1,355,514	\$ 1,355,514

3.H. FUND EQUITY

Restricted Fund Equity

	Government Activities	Business-Type Activities	Totals
Net Assets			
Net Investment in Capital Assets	\$ 20,240,001	\$ 28,807,542	\$ 49,047,543
Restricted for:			
Redevelopment	724,771	-	724,771
Perpetual Care	220,468	-	220,468
Reserve and replacement	-	334,814	334,814
Inventory	-	1,965,935	1,965,935
Unrestricted	6,875,706	12,630,405	19,506,111
Total Net Assets	\$ 28,060,946	\$ 43,738,696	\$ 71,799,642

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

NOTE 4. OTHER NOTES

4A. EMPLOYEE PENSION AND OTHER BENEFIT 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.
- **Public Safety Retirement System** (Public Safety System) is a mixed agent and cost sharing, multiple employer retirement system.
- **Tier 2 Public Employees Contributory Retirement System** (Tier 2 Public Employees System);
- **Tier 2 Public Safety and Firefighter Contributory Retirement System** (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing and 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 System's 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 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:

NEPHI CITY CORPORATION
Notes to the Financial Statements
As of and For the Year Ended June 30, 2025

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years 2.0% per year over 20 years	Up to 2.5% to 4% depending upon employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year to June 30, 2020 2.00% per year July 1, 2020 to	Up to 2.5%

* Actuarial reductions are applied

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

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2025 are as follows:

Utah Retirement Systems

	Employee	Employer	Employer 401(k) Plan
Contributory System			
111-Local Government Division Tier 2	0.70%	15.19%	N/A
Noncontributory System			
15-Local Government Division Tier 1	N/A	16.97%	N/A
Public Safety Retirement System			
Contributory			
122 Tier 2 DB Hybrid Public Safety	4.73%	25.33%	N/A
Noncontributory			
43- Other Division A with 2.5% COLA	N/A	33.54%	N/A
Tier 2 DC Only			
211-Local Government	N/A	5.19%	10.00%
222-Public Safety	N/A	11.33%	14.00%

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

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

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

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 263,915	-
Public Safety System	122,066	-
Tier 2 Public Employees System	196,289	9,046
Tier 2 Public Safety and Firefighter	115,345	21,539
Tier 2 DC Public Employees Plan	13,847	-
Tier 2 DC Public Safety and Firefighter Plan	7,780	-
Total Contributions	\$ 719,242	\$ 30,585

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 \$1,092,455 and a net pension liability of \$0.

(Measurement Date): December 31, 2024

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2023	Change (Decrease)
Noncontributory System	\$ -	\$ 525,119	0.1655945%	0.1567830%	0.0088115%
Public Safety System	-	406,927	0.2629916%	0.2238028%	0.0391888%
Tier 2 Public Employees System	-	122,232	0.0409845%	0.0466198%	-0.0056353%
Tier 2 Public Safety and Fire Fighter System	-	38,176	0.0844067%	0.0991628%	-0.0147561%

Total Net Pension Asset / Liability **\$ - \$ 1,092,454**

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

For the year ended June 30, 2025. We recognized pension expense of \$944,733.

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

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 431,850	\$ 2,848
Changes in assumptions	105,671	612
Net difference between projected and actual earnings on pension plan investments	238,888	-
Changes in proportion and differences between contributions and proportionate share of contributions	40,396	10,264
Contributions subsequent to the measurement date	355,899	-
Total	<u>\$ 1,172,704</u>	<u>\$ 13,724</u>

\$355,899 reported as deferred outflows of resources related to pension's 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,	Deferred Outflows (inflows) of Resources
2025	\$ 373,439
2026	\$ 416,539
2027	\$ (80,236)
2028	\$ (1,338)
2029	\$ 36,099
Thereafter	\$ 58,579

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

For the year ended June 30, 2025, we recognize pension expense of \$ 477,925.

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
Differences between expected and actual experience	\$ 312,896	\$ -
Changes in assumptions	43,437	-
Net difference between projected and actual earnings on pension plan investments	158,174	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	6,811
Contributions subsequent to the measurement date	128,898	-
Total	<u>\$ 643,405</u>	<u>\$ 6,811</u>

\$ 128,898 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.

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

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,	Deferred Outflows (inflows) of Resources
2025	\$ 296,184
2026	\$ 287,414
2027	\$ (64,182)
2028	\$ (11,720)
2029	\$ -
Thereafter	\$ -

Public Safety System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, we recognized pension expense of \$ 277,470.

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
Differences between expected and actual experience	\$ 43,000	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	70,427	-
Changes in proportion and differences between contributions and proportionate share of contributions	10,905	-
Contributions subsequent to the measurement date	54,945	-
Total	<u>\$ 179,277</u>	<u>\$ -</u>

\$ 54, 945 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,	Deferred Outflows (inflows) of Resources
2025	\$ 58,158
2026	\$ 99,966
2027	\$ (28,606)
2028	\$ (5,185)
2029	\$ -
Thereafter	\$ -

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 \$ 133,838.

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

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
Differences between expected and actual experience	\$ 52,842	\$ 842
Changes in assumptions	40,824	13
Net difference between projected and actual earnings on pension plan investments	7,812	-
Changes in proportion and differences between contributions and proportionate share of contributions	21,576	2,258
Contributions subsequent to the measurement date	107,731	-
Total	<u>\$ 230,785</u>	<u>\$ 3,113</u>

\$ 107,731 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,	Deferred Outflows (inflows) of Resources
2025	\$ 14,429
2026	\$ 22,106
2027	\$ 9,732
2028	\$ 11,810
2029	\$ 27,583
Thereafter	\$ 34,281

Tier 2 Public Safety and Firefighter Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, we recognize pension expense of \$ 55,500.

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
Differences between expected and actual experience	\$ 23,112	\$ 2,006
Changes in assumptions	21,410	599
Net difference between projected and actual earnings on pension plan investments	2,474	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,914	1,195
Contributions subsequent to the measurement date	64,326	-
Total	<u>\$ 119,236</u>	<u>\$ 3,800</u>

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

\$ 64,326 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:

		Deferred Outflows	
Year Ended December 31,		(inflows) of Resources	
	2025	\$	4,668
	2026	\$	7,052
	2027	\$	2,820
	2028	\$	3,757
	2029	\$	8,516
	Thereafter	\$	24,298

Actuarial assumptions: The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all period 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 actual 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 assumption 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 an experience study for the period ending December 31, 2022.

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

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

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

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.

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 (asset) 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	\$ 2,220,825	\$ 525,119	\$ (897,028)
Public Safety System	1,250,139	406,927	(281,121)
Tier 2 Public Employees System	365,077	122,232	(66,678)
Tier 2 Public Safety and Firefighter	130,177	38,176	(35,380)
Total	\$ 3,966,218	\$ 1,092,454	\$ (1,280,207)

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

Defined Contribution Savings Plans

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

Nephi City participates in the following Defined Contribution Savings Plans with the Utah Retirement Systems:

- *401(k) Plan
- *457(b) Plan
- *Roth IRA Plan

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

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

	2025	2024	2023
401(k) Plan			
Employer Contributions	\$ 93,037	\$ 76,384	\$ 60,131
Employee Contributions	78,439	84,477	62,747
457 Plan			
Employer Contributions	-	-	-
Employee Contributions	21,934	13,440	12,840
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	8,600	7,018	8,880

4.B. 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; injuries to employees; and natural disasters. The City has purchased comprehensive general liability insurance through the Utah Local Governments Trust. The City pays premiums to the Trust for its general insurance coverage, automobile liability, and personal injury protection. The Trust is self-sustaining through member premiums. The City is subject to a minimal deductible for claims.

4.C. JUAB RURAL DEVELOPMENT AGENCY

During 1991 the City of Nephi entered in an interlocal agreement with Juab County, Levan, and Mona to create the Juab Rural Development Agency. The purpose of the Agency was to provide for the joint and coordinated funding, construction, and operation of a natural gas transmission line and separate municipal delivery systems to service the municipalities of Nephi, Levan, and Mona. Each municipality operates and owns its own distribution system as well as an undivided interest in the main transportation line.

In September of 1996, the City of Nephi transferred the City landfill to the Juab Rural Development Agency. Juab County agreed to act as agent for the landfill. The County maintains the operating records and bank accounts and is responsible for the daily operation of the landfill in accordance with local, state, and federal ordinances, statutes, rules, and regulations. Waste collection, billing, and collection of landfill fees, is performed by the individual members with fees being remitted to the County. The Agency has assumed responsibility for all closure and post-closure costs of the landfill site. The Agency's financial information is reported as part of Juab County's financial statements.

4.D. INVESTMENT IN JOINT VENTURE

In September 1980, Nephi City joined with seven other municipalities to create the Utah Municipal Power Agency (UMPA). UMPA was created under the Interlocal Co-operation Act to evaluate, finance, construct and operate facilities for the generation, transmission, and distribution of electric power for governmental units and their citizens and customers.

During September 1985, Payson City and Springville City withdrew from UMPA, thus increasing the remaining members' percentage of assets, liabilities, and equity. The remaining UMPA members and their respective percentages of ownership are as follows:

	Percentage
Manti City Corporation	2.16%
Nephi City Corporation	5.84
Provo City Corporation	80.54
Salem City Corporation	1.45
Spanish Fork City Corporation	9.41
Town of Levan	0.60
	<u>100.000%</u>

NEPHI CITY CORPORATION

Notes to the Financial Statements

As of and For the Year Ended June 30, 2025

UMPA is governed by a Board of Directors. Each member appoints one director to the Board. All decisions of the Board are made by majority vote, except in specific decisions as described in the Interlocal Co-operation Agreement where votes shall be by number of megawatt hours sold.

Audited financial statements for UMPA are available at UMPA's office. UMPA bills members at rates sufficient to cover the costs of operating and maintaining the Agency and the costs of debt service, but not items such as depreciation and amortization. Thus, any gain or loss results in a decrease or increase in subsequent billings to the members, rather than increasing or decreasing member's equity as would normally be expected. The current member's equity only reflects the original investment from members, less the amount returned to Payson City and Springville City at the time of their withdrawal.

4.E. CONDUIT DEBT OBLIGATION

The City has participated in the issuance of a variable rate industrial development revenue bond for the purpose of constructing a privately operated manufacturing site. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Revenues from the facilities constructed with bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can look only to these sources for repayment. The original issue amount was \$10,000,000.

4.F. RELATED PARTIES

During the year ended June 30, 2025, Nephi City did not have any related party transactions.

4.G. SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of the audit report, which is the date that the financial statements were available to be issued.

**Required Supplementary Information
(Unaudited)**

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NEPHI CITY CORPORATION

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual – General Fund

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Over(Under)
REVENUES				
Taxes	\$ 2,409,400	\$ 2,777,121	\$ 3,139,439	\$ 362,318
Licenses and permits	116,200	182,243	241,203	58,960
Intergovernmental revenue	350,000	779,000	1,085,032	306,032
Charges for services	746,370	878,650	1,182,477	303,827
Fines and forfeitures	94,500	94,500	101,244	6,744
Interest income	80,000	122,000	195,776	73,776
Miscellaneous	308,800	384,800	434,759	49,959
Administration charges/use of fund balance	1,940,164	3,197,984	1,355,511	(1,842,473)
Total revenues	<u>6,045,434</u>	<u>8,416,298</u>	<u>7,735,441</u>	<u>(680,857)</u>
EXPENDITURES				
Current:				
General government	1,755,464	2,268,673	2,192,387	(76,286)
Public safety	2,463,221	2,703,486	2,567,592	(135,894)
Highways and public improvements	481,706	486,206	437,067	(49,139)
Parks, recreation, and public property	2,031,683	2,355,401	2,409,788	54,387
Debt services	220,990	262,990	218,640	(44,350)
Total expenditures	<u>6,953,064</u>	<u>8,076,756</u>	<u>7,825,474</u>	<u>(251,282)</u>
Excess revenues over (under) expenditures	<u>(907,630)</u>	<u>339,542</u>	<u>(90,033)</u>	<u>(429,575)</u>
Other financing sources (uses)				
Transfers in	1,405,787	1,519,887	1,552,897	33,010
Transfers (out)	(488,300)	(1,740,093)	(1,463,863)	276,230
Total other financing sources and uses	<u>917,487</u>	<u>(220,206)</u>	<u>89,034</u>	<u>309,240</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ 9,857</u>	<u>\$ 119,336</u>	(999)	<u>\$ (120,335)</u>
Fund balances - beginning of year			1,245,251	
Prior period adjustment			(37,265)	
Fund balances - end of year			<u>\$ 1,206,987</u>	

The notes to the required supplementary information are an integral part of this statement.

NEPHI CITY CORPORATION
Information for Infrastructure Assets
Using the Modified Approach
As of June 30, 2025

As allowed by GASB 34, Nephi City Corporation has adopted an alternative to reporting depreciation on roads (infrastructure assets) maintained by the Public Works Department. Under the modified approach, infrastructure assets are not depreciated and maintenance and preservation costs are expensed.

Infrastructure assets that are part of a network are not required to be depreciated as long as the following requirements are met:

- The assets will be managed using an asset management system
- Document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level as disclosed below

The asset management system will provide:

- An up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale at least every three years
- Estimate yearly the annual amount of funds needed to maintain and preserve the eligible infrastructure assets at the condition level established
- The results of the three most recent complete condition assessments provide reasonable assurance that the eligible infrastructure assets are being preserved at the disclosed level
- All expenditures, except for additions and improvements, made for the eligible infrastructure assets will be expensed in the period incurred
- Additions and improvements to the eligible infrastructure assets will be capitalized, as they increase the capacity or efficiency of the asset rather than preserve the useful life of the asset

Roads

The City will utilize the Pavement Management System to determine the condition of the city roads. The assessment is based on the Ride Index, which is a measurement of ride quality on a scale of 1-5, with 5 representing new or nearly new pavement.

Category	Range	Description
Good	3.55 – 4.34	Pavements, which provide an adequate ride and exhibit few, if any, visible signs of distress.
Fair	2.75 – 3.54	Surface defects in this category such as cracking, rutting, and raveling are affecting the ride.
Poor	1.85 – 2.74	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough.
Very Poor	1.00 – 1.84	Pavements in this category are severely deteriorated, and the ride quality must be improved.

The notes to the required supplementary information are an integral part of this statement.

NEPHI CITY CORPORATION
Information for Infrastructure Assets
Using the Modified Approach (continued)
As of June 30, 2025

Condition Level

The City's condition level goal is to maintain 50% of the streets with a rating of "fair" or better and no more than 15% with a rating of "poor-very poor." All city streets receive a surface treatment on a rotating basis, with 1/3 of the streets done in a given year. Approximately 3.5 to 4 miles of streets receive a chip seal each year, and approximately 11 to 12 miles of streets receive a seal coat each year.

Complete assessments of the roads are performed on a fiscal year basis. The following chart shows the results of the pavement ratings for the last five years:

Rating	2025	2024	2023	2022	2021	2020
Fair or Better	97	97	97	97	98	98
Poor - Very Poor	3	3	3	3	2	2

The following table shows the estimated amounts needed to maintain and preserve the roads at or above the established condition levels addressed above, and the amounts actually spent for each of the last five fiscal years.

Fiscal Year	Estimated Spending	Actual Spending
2025	486,206	437,067
2024	461,467	426,932
2023	418,343	385,033
2022	415,662	358,535
2021	659,391	223,064
2020	410,778	368,796

The notes to the required supplementary information are an integral part of this statement.

NEPHI CITY CORPORATION, UTAH
Schedule of the Proportionate Share of the Net Pension Liability
Utah Retirement Systems
For the Year Ended June 30, 2025
Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
Noncontributory System	2024	0.1655945%	525,119	1,542,468	34.04%	96.02%
	2023	0.1567830%	363,668	1,380,578	26.34%	96.90%
	2022	0.1580910%	270,770	1,300,866	20.81%	97.50%
	2021	0.1541746%	(882,974)	1,202,155	-73.45%	108.70%
	2020	0.1489800%	76,418	1,162,722	6.57%	99.20%
	2019	0.1552201%	585,004	1,251,882	46.73%	93.70%
	2018	0.1583441%	1,166,002	1,279,643	91.12%	87.00%
	2017	0.1553998%	997,857	1,301,924	76.64%	87.30%
	2016	0.1576538%	892,082	1,352,871	65.94%	87.80%
Public Safety System	2024	0.2629916%	406,927	491,052	82.87%	93.30%
	2023	0.2238003%	320,075	401,106	79.80%	93.44%
	2022	0.2155010%	278,659	366,300	76.07%	93.60%
	2021	0.2155035%	(175,020)	344,789	-50.76%	104.20%
	2020	0.2126986%	176,591	361,580	48.84%	95.50%
	2019	0.2465311%	395,835	420,014	94.24%	90.90%
	2018	0.2525839%	649,794	425,677	152.65%	84.70%
	2017	0.2603433%	528,308	443,830	11903.00%	86.50%
	2016	0.2325444%	416,545	397,824	104.71%	87.10%
Tier 2 Public Employees System*	2024	0.0409845%	122,232	1,214,220	10.07%	87.44%
	2023	0.0466198%	90,740	1,205,285	7.53%	89.58%
	2022	0.0470380%	51,219	1,025,794	4.99%	92.30%
	2021	0.0510361%	(21,600)	947,404	-2.28%	103.80%
	2020	0.0518280%	7,454	828,412	0.90%	98.30%
	2019	0.0492421%	11,075	684,250	1.62%	96.50%
	2018	0.0487121%	20,862	568,470	3.67%	90.80%
	2017	0.0417352%	4,656	342,261	1.36%	95.10%
	2016	0.0230178%	(50)	148,845	-0.03%	100.20%
Tier 2 Public Safety and Firefighters Retirement System	2024	0.0844067%	38,176	385,293	9.91%	90.10%
	2023	0.0991628%	37,354	375,733	9.94%	89.10%
	2022	0.1092150%	9,111	336,031	2.71%	96.40%
	2021	0.1250687%	(6,321)	299,087	-2.11%	102.80%
	2020	0.1117913%	10,027	222,365	4.51%	93.10%
	2019	0.1080693%	10,165	178,109	5.71%	89.60%
	2018	0.1161777%	2,911	155,526	1.87%	95.60%
	2017	0.1159593%	(1,007)	95,808	-1.05%	103.60%
	2016	0.1458282%	(2,131)	86,744	-2.46%	110.70%

* In accordance with paragraph 81. a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the net pension liability (asset) in their RSI. This schedule will need to be built prospectively. The schedule above is for the past 9 years. Prior numbers are available from your prior year note disclosure.

The notes to the required supplementary information are an integral part of this statement.

NEPHI CITY CORPORATION, UTAH

Schedule of Contributions

Utah Retirement Systems

For the Year Ended 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 System	2016	238,527	238,527	-	1,296,952	18.39%
	2017	241,597	241,597	-	1,309,051	18.46%
	2018	229,396	229,396	-	1,265,748	18.12%
	2019	232,169	232,169	-	1,287,227	18.04%
	2020	215,824	215,824	-	1,200,968	17.97%
	2021	210,876	210,876	-	1,166,046	18.08%
	2022	225,065	225,065	-	1,227,607	18.33%
	2023	238,181	238,181	-	1,350,550	17.64%
	2024	247,869	247,869	-	1,428,976	17.35%
	2025	263,915	263,915	-	1,620,814	16.28%
Public Safety System	2016	118,664	118,664	-	425,580	27.88%
	2017	116,843	116,843	-	421,264	27.74%
	2018	114,019	114,019	-	415,928	27.41%
	2019	118,812	118,812	-	433,449	27.41%
	2020	106,386	106,386	-	397,686	26.75%
	2021	85,275	85,275	-	337,093	25.30%
	2022	88,800	88,800	-	350,052	25.37%
	2023	98,014	98,014	-	384,237	25.51%
	2024	115,609	115,609	-	442,911	26.10%
	2025	122,066	122,066	-	476,262	25.63%
Tier 2 Public Employees System**	2016	41,584	41,584	-	278,897	14.91%
	2017	56,554	56,554	-	379,304	14.91%
	2018	75,896	75,896	-	502,294	15.11%
	2019	96,942	96,942	-	623,824	15.54%
	2020	118,026	118,026	-	753,674	15.66%
	2021	140,993	140,993	-	892,362	15.80%
	2022	156,473	156,473	-	973,695	16.07%
	2023	181,151	181,151	-	1,131,486	16.01%
	2024	193,366	193,366	-	1,207,780	16.01%
	2025	196,289	196,289	-	1,292,225	15.19%
Tier 2 Public Safety and Firefighter System*	2016	20,947	20,947	-	93,096	22.50%
	2017	23,757	23,757	-	105,586	22.50%
	2018	33,944	33,944	-	150,396	22.57%
	2019	37,095	37,095	-	160,656	23.09%
	2020	47,511	47,511	-	205,409	23.13%
	2021	64,598	64,598	-	250,088	25.83%
	2022	82,787	82,787	-	320,507	25.83%
	2023	96,677	96,677	-	374,283	25.83%
	2024	90,205	90,205	-	349,226	25.83%
	2025	115,345	115,345	-	455,371	25.33%
Tier 2 Public Employees DC Only System*	2016	4,693	4,693	-	70,147	6.69%
	2017	5,017	5,017	-	74,988	6.69%
	2018	6,406	6,406	-	95,755	6.69%
	2019	9,372	9,372	-	140,094	6.69%
	2020	9,724	9,724	-	145,350	6.69%
	2021	9,895	9,895	-	147,911	6.69%
	2022	11,054	11,054	-	165,227	6.69%
	2023	10,089	10,089	-	162,982	6.19%
	2024	12,559	12,559	-	202,891	6.19%
	2025	13,847	13,847	-	266,795	5.19%
Tier 2 DC Public Safety & Firefighters System	2024	5,608	5,608	-	47,408	11.83%
	2025	7,780	7,780	-	68,664	11.33%

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

Tier 2 system were created effective July 1, 2011

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The schedule above is only for the past 10 years. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

The notes to the required supplementary information are an integral part of this statement.

NEPHI CITY CORPORATION, UTAH

Notes to Required Supplementary Information

For the Year Ended June 30, 2025

Changes in Assumptions Related to Pensions:

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

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are 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 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, all departments in the General Fund were within budgeted appropriations.

Supplementary Information

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NEPHI CITY CORPORATION

Combining Balance Sheet Non-major Governmental Funds

As of June 30, 2025

	Permanent Fund Cemetery Perpetual Care	Special Revenue Fund Industrial Development	Special Revenue Fund Community Redevelopment Agency	Special Revenue Fund PAR Tax	Special Revenue Fund Local Building Authority Fund	Total Non-major Gvtl. Funds
ASSETS						
Cash and cash equivalents:						
Restricted	\$ 220,468	\$ 421,739	\$ 48,273	\$ 253,727	\$ 1,032	\$ 945,239
Total Assets	<u>220,468</u>	<u>421,739</u>	<u>48,273</u>	<u>253,727</u>	<u>1,032</u>	<u>945,239</u>
Fund Balance						
Restricted	220,468	421,739	48,273	253,727	1,032	945,239
Total Fund Balance	<u>220,468</u>	<u>421,739</u>	<u>48,273</u>	<u>253,727</u>	<u>1,032</u>	<u>945,239</u>
Total Liabilities and Fund Balance	<u>\$ 220,468</u>	<u>\$ 421,739</u>	<u>\$ 48,273</u>	<u>\$ 253,727</u>	<u>\$ 1,032</u>	<u>\$ 945,239</u>

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

NEPHI CITY CORPORATION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Non-major Governmental Funds

For the Year Ended June 30, 2025

	Permanent Fund Cemetery Perpetual Care	Special Revenue Fund Industrial Development	Special Revenue Fund Community Redevelopment Agency	Special Revenue Fund PAR Tax	Special Revenue Fund Local Building Authority Fund	Total Non-major Gvtl. Funds
REVENUES:						
Perpetual care	\$ 25,745	\$ -	\$ -	\$ -	\$ -	\$ 25,745
Taxes	-	-	-	162,953	-	162,953
Interest income	3,493	18,380	240,967	12,195	3	275,038
Total revenues	29,238	18,380	240,967	175,148	3	463,736
EXPENDITURES:						
Current:						
Parks, Recreation, and Public Property	28,307	-	-	-	-	28,307
Community and Economic Development	-	-	216,874	-	-	216,874
Debt service:						
Principal	-	-	-	7,867	52,067	59,934
Interest	-	-	-	-	20,648	20,648
Total expenditures	28,307	-	216,874	7,867	72,715	325,763
Excess of revenues over (under) expenditures	931	18,380	24,093	167,281	(72,712)	137,973
Other financing sources (uses):						
Transfers in	-	-	-	-	72,715	72,715
Transfers out	-	-	-	(123,000)	-	(123,000)
Total other financing (sources) uses	-	-	-	(123,000)	72,715	(50,285)
Excess of revenues and other sources over (under) expenditures and other uses	931	18,380	24,093	44,281	3	87,688
Fund balances - beginning of year	219,537	403,359	24,180	209,446	1,029	857,551
Fund balances - end of year	\$ 220,468	\$ 421,739	\$ 48,273	\$ 253,727	\$ 1,032	\$ 945,239

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

NEPHI CITY CORPORATION

Combining Statement of Net Position

Non-major Enterprise Funds

As of June 30, 2025

	Non-major Enterprise Funds		
	Sewer Fund	Solid Waste Fund	Total Non-major
ASSETS AND DEFERRED OUTFLOWS			
Current assets:			
Cash and cash equivalents:			
Unrestricted	\$ 1,591,904	\$ (3,783)	\$ 1,588,121
Receivables:			
Accounts receivable	-	1,265	1,265
Utilities (net of allowance)	47,188	57,360	104,548
Total current assets	<u>1,639,092</u>	<u>54,842</u>	<u>1,693,934</u>
Noncurrent assets:			
Property and Equipment:			
Land	-	13,758	13,758
Buildings and systems	2,374,588	2,808	2,377,396
Accumulated depreciation	(2,055,855)	(2,808)	(2,058,663)
Machinery and equipment	498,871	1,232,740	1,731,611
Accumulated depreciation	(209,730)	(873,243)	(1,082,973)
Total noncurrent assets	<u>607,874</u>	<u>373,255</u>	<u>981,129</u>
Total assets	<u>2,246,966</u>	<u>428,097</u>	<u>2,675,063</u>
Deferred Outflows of Resources:			
Deferred outflows related to pensions	23,454	11,727	35,181
Total Assets and Deferred Outflows	<u>2,270,420</u>	<u>439,824</u>	<u>2,710,244</u>
LIABILITIES AND DEFERRED INFLOWS			
Current liabilities:			
Accounts payable	209	37,118	37,327
Compensated absences payable	10,408	12,460	22,868
Total current liabilities	<u>10,617</u>	<u>49,578</u>	<u>60,195</u>
Noncurrent liabilities:			
Net pension liability	21,849	10,925	32,774
Total noncurrent liabilities	<u>21,849</u>	<u>10,925</u>	<u>32,774</u>
Total liabilities	<u>32,466</u>	<u>60,503</u>	<u>92,969</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	274	137	411
Total Liabilities and Deferred Inflows	<u>32,740</u>	<u>60,640</u>	<u>93,380</u>
NET POSITION			
Net investment in capital assets	607,874	373,255	981,129
Unrestricted	1,629,806	5,929	1,635,735
Total Net Position	<u>\$ 2,237,680</u>	<u>\$ 379,184</u>	<u>\$ 2,616,864</u>

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

NEPHI CITY CORPORATION

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Non-major Enterprise Funds

For the Year Ended June 30, 2025

	Non-major Enterprise Funds		
	Sewer Fund	Solid Waste Fund	Total Non-major
Operating revenues:			
Charges for sales and services	\$ 495,418	\$ 589,850	\$ 1,085,268
Miscellaneous	-	4,546	4,546
Total operating revenues	495,418	594,396	1,089,814
Operating expenses:			
Employee salaries	87,358	55,800	143,158
Employee benefits	60,343	48,102	108,445
Contractual services	24,996	271,417	296,413
Supplies	2,046	41,564	43,610
Materials	6,132	-	6,132
Administrative charges	28,812	47,016	75,828
Fuel and oil	-	18,102	18,102
Repairs and maintenance	3,515	16,533	20,048
Bad debt expenses	171	488	659
Depreciation and amortization	84,088	116,420	200,508
Power and natural gas purchases	2,157	-	2,157
Miscellaneous	-	367	367
Total operating expenses	299,618	615,809	915,427
Operating income	195,800	(21,413)	174,387
Nonoperating revenues (expenses):			
Interest revenue	62,718	706	63,424
Transfers In (Out)	(34,729)	(41,840)	(76,569)
Total nonoperating revenues (expenses)	27,989	(41,134)	(13,145)
Change in net position	223,789	(62,547)	161,242
Total Net Position - Beginning	2,013,891	458,855	2,472,746
Restatement for correction of an error	-	(17,124)	(17,124)
Net position - beginning, as restated	-	441,731	2,455,622
Total Net Position - Ending	\$ 2,237,680	\$ 379,184	\$ 2,616,864

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

NEPHI CITY CORPORATION

Combining Statement of Cash Flows

Non-major Enterprise Funds

For the Year Ended June 30, 2025

	Non-major Enterprise Funds		
	Sewer Fund	Solid Waste Fund	Total Non-major
Cash Flows From Operating Activities			
Receipts from customers	\$ 494,141	\$ 600,975	\$ 1,095,116
Miscellaneous receipts	-	4,546	4,546
Payments to suppliers	(39,821)	(346,409)	(386,230)
Payments for interfund services	(28,812)	(47,016)	(75,828)
Payments to employees	(143,185)	(101,643)	(244,828)
Net cash provided (used) by operating activities	<u>282,323</u>	<u>110,453</u>	<u>392,776</u>
Cash Flows From Non-Capital and Related Financing Activities			
Transfers in (out)	(34,729)	(41,840)	(76,569)
Net cash provided (used) by non-capital and related financing activities	<u>(34,729)</u>	<u>(41,840)</u>	<u>(76,569)</u>
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(11,189)	-	(11,189)
Net cash provided (used) by capital and related financing activities	<u>(11,189)</u>	<u>-</u>	<u>(11,189)</u>
Cash Flows From Investing Activities			
Interest received	62,718	706	63,424
Net cash provided (used) by investing activities	<u>62,718</u>	<u>706</u>	<u>63,424</u>
Net increase (decrease) in cash and cash equivalents	299,123	69,319	368,442
Cash and cash equivalents, July 1	<u>1,292,781</u>	<u>(55,978)</u>	<u>1,236,803</u>
Restatement for correction of an error	-	(17,124)	(17,124)
Cash and cash equivalents, June 30	<u>\$ 1,591,904</u>	<u>\$ (3,783)</u>	<u>\$ 1,588,121</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 195,800	\$ (21,413)	\$ 174,387
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	84,088	116,420	200,508
Decrease (increase) in accounts receivable	(1,277)	11,125	9,848
Change in GASB 68 pension/benefit	4,516	2,259	6,775
Increase (decrease) in accounts payable	(804)	2,062	1,258
Total adjustments	<u>86,523</u>	<u>131,866</u>	<u>218,389</u>
Net cash provided (used) by operating activities	<u>\$ 282,323</u>	<u>\$ 110,453</u>	<u>\$ 392,776</u>
Reconciliation of cash and cash equivalents to the statement of net position:			
Unrestricted cash and cash equivalents	\$ 1,591,904	\$ (3,783)	\$ 1,588,121
Total cash and cash equivalents reported on the statement of net position	<u>\$ 1,591,904</u>	<u>\$ (3,783)</u>	<u>\$ 1,588,121</u>

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

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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

To the Nephi City Council
Nephi City
Nephi, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nephi 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 and have issued our report thereon dated November 14, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nephi 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Larson & Company, PC

Spanish Fork, Utah
November 14, 2025

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

To the Nephi City Commission
Nephi City
Nephi, Utah

Report on Compliance

We have audited Nephi City's compliance with the applicable state compliance 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
Justice Courts	Restricted Taxes and Related Revenues
Fraud Risk Assessment	Government Fees

Opinion on Compliance

In our opinion, Nephi City, complied, in all material respects, with the 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 Nephi 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 Nephi 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 Nephi City's government programs.

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 Nephi 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 Nephi 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 Nephi 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 Nephi 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 *State Compliance Audit Guide* but not for the purpose of expressing an opinion on the effectiveness of Nephi 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.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Guide and which are described in the accompanying schedule of findings and recommendations as item 2025-001. Our opinion on compliance is not modified with respect to these matters. Responses from responsible officials after findings will be found in the accompanying schedule of findings and recommendations.

Government Auditing Standards require the auditor to perform limited procedures on Nephi City's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 or significant deficiencies, 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.



Larson & Company, PC

Spanish Fork, Utah
November 14, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

To the Nephi City Council
Nephi City
Nephi, Utah

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited Nephi City's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Nephi City's major federal programs for the year ended June 30, 2025. Nephi City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Nephi City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards general accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Governments Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Nephi 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 on compliance for each major federal program. Our audit does not provide a legal determination of Nephi 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 Nephi City's federal programs.

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 Nephi 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 Uniform Guidance 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 Nephi City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 Nephi 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 Nephi 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Nephi 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 detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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.

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



Larson & Company, PC

Spanish Fork, Utah

November 14, 2025

Nephi City, Utah
Schedule of Expenditures of Federal Awards
June 30, 2025

Federal Grantor/Pass-Thru/ Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Contract	Amount of Expenditures
Grants			
U.S. Department of Energy			
* Preventing Outages and Enhancing the Resilience of the Electric Grid	81.254	S05884.000	1,343,683
Total U.S. Department of Energy			1,343,683
U.S. Department of Transportation			
Airport Project	20.106		139,988
Total U.S. Transportation			139,988
U.S. Department of Energy			
Conservation Block Grant	81.128		103,923
Total U.S. Department of Energy			103,923
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,587,594
* Major Program			

Nephi City, Utah

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2025

NOTE 1. PURPOSE OF THE SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards is a supplementary schedule to Nephi City's ("the City") financial statements and is presented for the purpose of additional analysis. Because the schedule presents only a selected portion of the activities of the City, it is not intended to, and does not present financial position, changes in fund balances, or the current funds, revenue, expenditure, and other changes of the City.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The information in the schedule is presented in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost of Principles, and Audit Requirement* for Federal Awards.

Federal Awards

Pursuant to Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* assistance is defined by a federal agency, either directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriation. Accordingly, non-monetary federal assistance, including federal surplus property, would be included in federal awards, if applicable, and therefore, would be reported on the schedule in federal awards. Federal awards include direct federal cash assistance to individuals.

Type A and Type B Programs

The Single Audit Act Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* establish the levels of expenditure or expenses to be used in defining Type A and Type B federal award programs. Type A programs, for the City, are those programs which exceed \$750,000 in federal expenditures, distributions, or issuances for the fiscal year ended June 30, 2025.

Reporting Entity

The reporting entity is fully described in Note 1 of Nephi City's financial statements. The schedule includes all federal award programs administered by the City for the year ended June 30, 2025.

Basis of Accounting

The expenditures in the schedule are recognized as incurred based on the modified accrual basis of accounting and the cost accounting principles contained in the *Uniform Guidance, Cost Principles for State and Local Governments*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

Matching Costs

The schedule does not include matching expenditures.

10% De Minimis Indirect Cost Rate

The City does not use the 10% de minimis cost rate. Nephi City negotiates an indirect cost rate with their cognizant oversight agency.

Nephi City, Utah**Notes to the Schedule of Expenditures of Federal Awards (continued)****June 30, 2025**

Direct and Indirect Flow-Through Federal Assistance

Some of Nephi City's Federal Awards are received directly from the granting federal agency. However, the majority of federal awards as identified on the schedule are passed through a separate entity prior to receipt by the City.

Sub-recipients

Nephi City does not pass through to any sub-recipients.

Non-Cash Assistance

Nephi City did not receive any non-cash assistance for the year ended June 30, 2025

Nephi City, Utah
Schedule of Findings and Questioned Costs
June 30, 2025

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on the governmental activities, business-type activities, each major fund,
and the aggregate remaining fund information
Unmodified

Internal Control over financial reporting:

Material weakness identified	None reported
Significant deficiencies identified not considered to be material weaknesses	None reported

Noncompliance material to financial statements noted?	No
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Federal Awards

Internal control over major programs:

Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported

Type of auditor's report issued on compliance for major programs
Unmodified

Any findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No
--	----

Identification of major programs:

<u>Name of federal program or cluster</u> <u>Number</u>	<u>Assisted Listing</u>
--	-------------------------

Preventing Outages and Enhancing the Resilience of the Electric Grid Programs	81.254
--	--------

Dollar threshold used to distinguish between Type A and Type B programs
\$750,000

Auditee qualified as a low-risk auditee?	No
--	----

Nephi City, Utah

Schedule of Findings and Questioned Costs (continued)

June 30, 2025

CURRENT YEAR FINDINGS

Financial Statement and State Compliance Findings:

2025-001 Justice Court

Criteria: Per the Utah state compliance guide for justice courts, the trust account must be reconciled to the Nephi City's general ledger monthly.

Condition: During our testing, it was discovered that the August 2024 trust account summary did not appear to be reconciled. Per conversation with the management, monthly reconciliations did not occur until October 2024 and thereafter.

Cause and effect: Oversight by the management and staff. Nephi City does not appear to be in compliance with the Utah State compliance guide for justice courts.

Recommendation: We recommend that the City work with the Justice Court to reconcile trust accounts to Nephi City's general ledger monthly.

Management response to finding: Nephi City will ensure that the Justice Court trust accounts are reconciled monthly.

Federal Award Findings and Questioned Costs:

None noted in the current year

PRIOR YEAR FINDINGS

Financial Statement and State Compliance Findings:

None noted in the prior year

Federal Award Findings and Questioned Costs:

None noted in the prior year