

RICHEY MAY



**Wellsville City
Financial Statements**

**For the Year Ended
June 30, 2025**

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INTRODUCTORY SECTION

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WELLSVILLE CITY CORPORATION

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MAYOR
Thomas G. Bailey
CITY COUNCIL
Gary Bates
Mary Ann Degn
Colin Harrison
Carl Leatham
Perry N. Maughan

SCOTT E. WELLS
City Manager
City Recorder
LEESA M. COOPER
City Treasurer

December 19, 2025

Wellsville City Council
Wellsville, Utah

Council:

It is with great pleasure that the financial statements for Wellsville City ("City") for the year ended June 30, 2025, are presented.

In addition to the fund financial information currently presented in the City's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Position that provides the total net position of the City including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2025, in accordance with these requirements.

This report consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the City from loss, theft, or misuse and to facilitate the compiling of sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the City's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects. This internal control structure is subject to periodic evaluation by management.

"The Gateway To Bridgerland"

The City's financial statements have been audited by Richey, May & Co., LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2025, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Wellsville City's financial statements for the fiscal year ended June 30, 2025 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

I wish to express my appreciation to all members of the City who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor Thomas Bailey
Wellsville City

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wellsville City, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Wellsville 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 Wellsville City, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Wellsville 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited Wellsville City's 2024 financial statements, and we expressed an unmodified opinion on the respective financial statements in our report dated December 12, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ending June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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 Wellsville City's ability to continue as a going concern for 12 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 resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

Other Information

Management is responsible for the other information included in the basic financial statements. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025, on our consideration of Wellsville 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of such testing, and not to provide an opinion on the effectiveness of 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 Wellsville City's internal control over financial reporting and compliance.



Richey, May & Co., LLP
North Logan, Utah
December 19, 2025

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WELLSVILLE CITY Management's Discussion and Analysis

For the Year Ended June 30, 2025

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

FINANCIAL HIGHLIGHTS

- The total net position of the City increased by approximately 13 percent to \$26,195,065.
- The total net position of the City was made up of \$18,675,663 in capital assets net of related debt, \$1,994,192 in restricted net position and \$5,525,210 in unrestricted net position.
- Total long-term debt of the City increased by \$1,695,000 due to the issuance of a new water revenue bond.
- Business-type activities total net position increased by \$1,098,008 and Governmental-type activities total net position increased by \$1,994,968.

REPORTING THE CITY AS A WHOLE

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

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

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

WELLSVILLE CITY

Management's Discussion and Analysis

Continued

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 17-19 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

- *Governmental funds* – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements and focus on the flow of resources and the balances left at yearend 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 reconciliations included with the fund financial statements.

The major governmental funds are the General Fund and the Capital Projects Fund.

- *Proprietary funds* – The City maintains one type of proprietary fund (enterprise funds). Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses major enterprise funds to account for its water utility and wastewater collection. The remaining Storm Water Fund has been determined to be a nonmajor fund.

WELLSVILLE CITY
Management's Discussion and Analysis

Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve as a useful indicator of a government's financial position over time. In the case of the City, assets exceed liabilities by \$26,195,065.

The greatest portion of the City's net position (71 percent) 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.

The following table summarizes the City's net position as of June 30:

	Governmental Activities		Business-type Activities	
	2025	2024	2025	2024
Current assets	\$ 7,372,158	\$ 6,961,933	\$ 895,214	\$ 733,808
Capital assets	10,023,446	8,782,625	10,362,217	7,656,481
Deferred outflows of resources	47,758	46,099	81,317	78,494
Total assets and deferred outflows of resources	17,443,362	15,790,657	11,338,748	8,468,783
Long-term debt outstanding	-	-	1,710,000	15,000
Other liabilities	239,764	603,216	225,826	148,255
Deferred inflows of resources	410,670	389,481	785	1,399
Total liabilities and deferred inflows of resources	650,434	992,697	1,936,611	164,654
Net position				
Net investment in capital assets	10,023,446	8,782,625	8,652,217	7,641,481
Restricted for capital projects and debt	1,857,000	2,275,930	137,192	2,988
Unrestricted	4,912,482	3,739,405	612,728	659,660
Total net position	\$ 16,792,928	\$ 14,797,960	\$ 9,402,137	\$ 8,304,129

WELLSVILLE CITY

Management's Discussion and Analysis

Continued

The following table summarizes the changes in the City's net position during the fiscal year ended June 30:

	Governmental Activities		Business-type Activities	
	2025	2024	2025	2024
Revenues:				
Program revenues:				
Charges for services	\$ 1,392,936	\$ 1,502,569	\$ 1,131,244	\$ 1,028,779
Operating grants and contributions	67,500	-	-	-
Capital grants and contributions	1,311,832	707,188	1,423,678	236,157
General revenues:				
Property taxes	406,599	387,138	-	-
Other taxes	1,049,784	1,061,178	-	-
Investment income	248,701	245,473	98,959	80,915
Business licenses	2,720	2,840	-	-
Total revenues	4,480,072	3,906,386	2,653,881	1,345,851
Expenses:				
General government	605,131	432,630	-	-
Public safety	287,106	297,488	-	-
Highways and public improvements	993,371	811,494	-	-
Parks, recreation and public property	146,441	280,876	-	-
Court	414,326	391,369	-	-
Water utility	-	-	855,873	666,970
Wastewater collection	-	-	708,013	580,566
Storm water	-	-	30,716	32,867
Transfers	38,729	55,000	(38,729)	(55,000)
Total expenses	2,485,104	2,268,857	1,555,873	1,225,403
Change in net position	1,994,968	1,637,529	1,098,008	120,448
Net position, beginning	14,797,960	13,160,431	8,304,129	8,183,681
Net position, ending	\$ 16,792,928	\$ 14,797,960	\$ 9,402,137	\$ 8,304,129

WELLSVILLE CITY
Management's Discussion and Analysis

Continued

FINANCIAL ANALYSIS OF GOVERNMENTAL 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.

As of June 30, 2025, the City's governmental funds (General and Capital Projects) reported combined fund balances of \$6,757,662. This represents an increase of \$761,841 (13 percent) over 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 one of the largest sources of revenue in the General Fund and represents 41 percent of total general fund revenues. The largest element of taxes has been and continues to be sales taxes, representing 54 percent of total tax revenues and 23 percent of total general fund revenues for the year ending June 30, 2025. This compares with 22 percent sales tax as a percentage of total general fund revenues in the prior fiscal year ended June 30, 2024.

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, with the exception of the due to and due from fund accounts on the proprietary fund are eliminated on the Statement of Net Position. The separate fund statements also provide greater detail.

Significant changes in the governmental funds included an increase of expenses of approximately \$418,000 due to an increase in expenditures for highways and public improvements and general government services.

Significant changes in business-type activities include a new water revenue bond issuance of \$1,700,000 and an increase in developers contributions of approximately \$800,000 due to new subdivision infrastructure being completed.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budgeted expenditure total of \$3,049,039 to a final amount of \$4,074,539 (34 percent). These increases were made to reflect the increased actual costs for general government, public safety, highways and public improvements, parks, recreation, and public property, and transfers.

WELLSVILLE CITY Management's Discussion and Analysis

Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The City's capital assets for its governmental and business-type activities as of June 30, 2025, amounted to \$20,385,663 (net of accumulated depreciation). This investment in capital assets includes land and water rights, construction in process, buildings, improvements, infrastructure (streets, sidewalks, etc.), and equipment. The total increase in the City's capital assets for the current year was 24 percent (due to the excess of new purchases over depreciation).

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

- \$1,533,179 for parks, street and sidewalk improvements
- \$281,699 for equipment
- \$3,015,346 for water, wastewater, and storm water improvements

	Governmental Activities	Business-type Activities
Land and water rights	\$ 1,542,646	\$ 1,501,571
Construction in progress	-	1,617,928
Buildings	2,455,223	753,218
Improvements	2,282,050	14,234,948
Infrastructure	10,368,667	-
Equipment	1,892,183	639,189
Less: accumulated depreciation	(8,517,323)	(8,384,637)
Total	<u>\$ 10,023,446</u>	<u>\$ 10,362,217</u>

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

Long-term debt – At June 30, 2025, the City had total bonded debt outstanding of \$1,710,000. Of this amount all \$1,710,000 was debt that is secured solely by specific revenue sources (i.e., revenue bonds).

Water revenue bonds	<u>\$ 1,710,000</u>
Total outstanding debt	<u>\$ 1,710,000</u>

The City's total debt increased by \$1,695,000 during the fiscal year. Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

ECONOMIC OUTLOOK

The City is continuing to grow with new development and as a result is increasing the infrastructure required for that growth while maintaining the same level of service for existing citizens. The ongoing water project will require additional draws from the new bond over the next year.

WELLSVILLE CITY
Statement of Net Position

As of June 30, 2025

	Governmental Activities	Business-type Activities	Total 2025	Memorandum 2024
Assets				
Cash and cash equivalents	\$ 4,711,880	\$ 639,439	\$ 5,351,319	\$ 4,254,133
Accounts receivable	210,532	118,583	329,115	381,725
Taxes receivable	592,746	-	592,746	409,579
Restricted B & C road funds taxes receivable	56,223	-	56,223	45,024
Restricted cash and cash equivalents	1,800,777	137,192	1,937,969	2,605,280
Capital assets				
Land and water rights	1,542,646	1,501,571	3,044,217	3,044,217
Construction in progress	-	1,617,928	1,617,928	-
Buildings	2,455,223	753,218	3,208,441	3,208,441
Improvements	2,282,050	14,234,948	16,516,998	14,665,688
Infrastructure	10,368,667	-	10,368,667	9,322,129
Equipment	1,892,183	639,189	2,531,372	2,414,760
Less: accumulated depreciation	(8,517,323)	(8,384,637)	(16,901,960)	(16,216,129)
Total assets	17,395,604	11,257,431	28,653,035	24,134,847
Deferred outflows of resources - pensions	47,758	81,317	129,075	124,593
Total assets and deferred outflows	\$ 17,443,362	\$ 11,338,748	\$ 28,782,110	\$ 24,259,440

See accompanying notes to the financial statements.

WELLSVILLE CITY
Statement of Net Position

Continued

	Governmental Activities	Business-type Activities	Total 2025	Memorandum 2024
Liabilities and deferred inflows of resources				
Accounts payable	\$ 204,287	\$ 138,582	\$ 342,869	\$ 681,841
Interest payable	-	26,838	26,838	-
Long-term liabilities payable:				
Net pension liability	35,477	60,406	95,883	69,630
Due within one year	-	116,000	116,000	5,000
Due in more than one year	-	1,594,000	1,594,000	10,000
Total liabilities	239,764	1,935,826	2,175,590	766,471
Deferred inflows of resources - pensions	461	785	1,246	2,221
Deferred inflows of resources - property taxes	410,209	-	410,209	388,659
Total liabilities and deferred inflows of resources	650,434	1,936,611	2,587,045	1,157,351
Net Position				
Net investment in capital assets	10,023,446	8,652,217	18,675,663	16,424,106
Restricted for:				
Debt service	-	137,192	137,192	2,500
Roads and city improvements	1,857,000	-	1,857,000	2,276,418
Unrestricted	4,912,482	612,728	5,525,210	4,399,065
Total net position	\$ 16,792,928	\$ 9,402,137	\$ 26,195,065	\$ 23,102,089

WELLSVILLE CITY
Statement of Activities

For the Year Ended June 30, 2025

	Program Revenues				Net			Memorandum
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total 2025	2024
Governmental activities:								
General government	\$ 605,131	\$ 309,262	\$ 67,500	\$ -	\$ (228,369)	\$ -	\$ (228,369)	\$ 33,400
Public safety	287,106	164,757	-	-	(122,349)	-	(122,349)	(131,224)
Highways and public improvements	993,371	396,681	-	1,235,836	639,146	-	639,146	57,832
Parks, recreation and public property	146,441	85,885	-	75,996	15,440	-	15,440	(11,156)
Court	414,326	436,351	-	-	22,025	-	22,025	47,048
Total governmental activities	<u>2,446,375</u>	<u>1,392,936</u>	<u>67,500</u>	<u>1,311,832</u>	<u>325,893</u>	<u>-</u>	<u>325,893</u>	<u>(4,100)</u>
Business-type activities:								
Water utility	855,873	692,336	-	677,712	-	514,175	514,175	(16,094)
Wastewater collection	708,013	387,203	-	639,284	-	318,474	318,474	(53,303)
Storm water	30,716	51,705	-	106,682	-	127,671	127,671	53,930
Total business-type activities	<u>\$ 1,594,602</u>	<u>\$ 1,131,244</u>	<u>\$ -</u>	<u>\$ 1,423,678</u>	<u>-</u>	<u>960,320</u>	<u>960,320</u>	<u>(15,467)</u>
General revenues:								
Taxes:								
Property taxes levied for general purposes					406,599	-	406,599	387,138
Other taxes					228,980	-	228,980	242,961
Franchise taxes					29,500	-	29,500	29,886
General sales taxes and highway sales taxes					791,304	-	791,304	788,331
Business licenses					2,720	-	2,720	2,840
Investment income					248,701	98,959	347,660	326,388
Transfers					(38,729)	38,729	-	-
Total general revenues and transfers					<u>1,669,075</u>	<u>137,688</u>	<u>1,806,763</u>	<u>1,777,544</u>
Change in net position					1,994,968	1,098,008	3,092,976	1,757,977
Net position, beginning					14,797,960	8,304,129	23,102,089	21,344,112
Net position, ending					<u>\$ 16,792,928</u>	<u>\$ 9,402,137</u>	<u>\$ 26,195,065</u>	<u>\$ 23,102,089</u>

See accompanying notes to the financial statements.

WELLSVILLE CITY
Balance Sheet
Governmental Funds

As of June 30, 2025

	General Fund	Capital Projects Fund	Governmental Funds 2025	Memorandum 2024
Assets				
Cash and cash equivalents	\$ 1,042,870	\$ 3,669,010	\$ 4,711,880	\$ 3,621,740
Accounts receivable	206,770	3,762	210,532	283,298
Taxes receivable	592,746	-	592,746	409,579
Restricted assets:				
Cash and cash equivalents	1,800,777	-	1,800,777	2,602,292
B & C road funds taxes receivable	56,223	-	56,223	45,024
Total assets	<u>\$ 3,699,386</u>	<u>\$ 3,672,772</u>	<u>\$ 7,372,158</u>	<u>\$ 6,961,933</u>
Liabilities, deferred inflows of resources, and fund balance				
Liabilities:				
Accounts payable	\$ 204,287	\$ -	\$ 204,287	\$ 206,067
Unspent ARPA funds	-	-	-	371,386
Total liabilities	<u>204,287</u>	<u>-</u>	<u>204,287</u>	<u>577,453</u>
Deferred inflows of resources	<u>410,209</u>	<u>-</u>	<u>410,209</u>	<u>388,659</u>
Total liabilities and deferred inflow of resources	<u>614,496</u>	<u>-</u>	<u>614,496</u>	<u>966,112</u>
Fund balance:				
Restricted for roads	1,834,853	-	1,834,853	2,128,593
Restricted for cemetery	3,941	-	3,941	143,748
Restricted for donations and grants	18,206	-	18,206	3,589
Assigned for first responders	-	30,615	30,615	29,177
Assigned for capital projects fund	-	3,356,164	3,356,164	2,491,336
Assigned for fire department	-	285,993	285,993	233,388
Unassigned	<u>1,227,890</u>	<u>-</u>	<u>1,227,890</u>	<u>965,990</u>
Total fund balance	<u>3,084,890</u>	<u>3,672,772</u>	<u>6,757,662</u>	<u>5,995,821</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 3,699,386</u>	<u>\$ 3,672,772</u>		

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	10,023,446	8,782,625
Pension related assets, liabilities, deferred inflows and deferred outflows are not payable in the current period and are not reported in the governmental funds.	11,820	19,514
Net position reconciled to the Statement of Activities	<u>\$ 16,792,928</u>	<u>\$ 14,797,960</u>

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

For the Year Ended June 30, 2025

	General Fund	Capital Projects Fund	Governmental Funds 2025	Memorandum 2024
Revenues:				
Taxes and special assessments	\$ 1,456,383	\$ -	\$ 1,456,383	\$ 1,448,316
Licenses and permits	21,392	-	21,392	11,971
Intergovernmental	650,187	-	650,187	594,613
Charges for services	750,430	46,286	796,716	916,183
Fines and forfeitures	436,351	-	436,351	438,567
Investment income	126,116	122,585	248,701	245,473
Miscellaneous	69,139	-	69,139	155,657
Total revenues	<u>3,509,998</u>	<u>168,871</u>	<u>3,678,869</u>	<u>3,810,780</u>
Expenditures:				
General government	901,978	-	901,978	780,613
Public safety	250,913	-	250,913	257,927
Highways and public improvements	1,283,858	-	1,283,858	969,327
Parks, recreation and public property	441,550	-	441,550	452,754
Total expenditures	<u>2,878,299</u>	<u>-</u>	<u>2,878,299</u>	<u>2,460,621</u>
Excess of revenues over expenditures	<u>631,699</u>	<u>168,871</u>	<u>800,570</u>	<u>1,350,159</u>
Other financing sources (uses):				
Transfers in (out)	<u>(788,729)</u>	<u>750,000</u>	<u>(38,729)</u>	<u>(55,000)</u>
Total other financing sources (uses)	<u>(788,729)</u>	<u>750,000</u>	<u>(38,729)</u>	<u>(55,000)</u>
Net change in fund balances	(157,030)	918,871	761,841	1,295,159
Fund balances, beginning	<u>3,241,920</u>	<u>2,753,901</u>	<u>5,995,821</u>	<u>4,700,662</u>
Fund balances, ending	<u>\$ 3,084,890</u>	<u>\$ 3,672,772</u>	<u>\$ 6,757,662</u>	<u>\$ 5,995,821</u>

WELLSVILLE CITY**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances****Governmental Funds****For the Year Ended June 30, 2025**

Amounts reported for the governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	761,841
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Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,240,821
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Pension expense	<u>(7,694)</u>
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Change in net position of governmental activities	<u>\$</u>	<u>1,994,968</u>
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WELLSVILLE CITY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund

For the Year Ended June 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes and special assessments:				
General property taxes	\$ 293,000	\$ 293,000	\$ 406,599	\$ 113,599
General sales and use taxes	600,000	600,000	791,304	191,304
Franchise taxes	25,000	25,000	29,500	4,500
Energy and other taxes	145,000	145,000	228,980	83,980
Total taxes and special assessments	1,063,000	1,063,000	1,456,383	393,383
Licenses and permits:				
Business licenses and permits	3,000	3,000	2,720	(280)
Non-business licenses and permits	5,200	5,200	18,672	13,472
Total licenses and permits	8,200	8,200	21,392	13,192
Intergovernmental:				
Class B & C roads	220,000	275,000	376,664	101,664
First responder income	3,000	3,000	61,237	58,237
County fire contract	8,000	8,000	2,154	(5,846)
Other grants	291,855	236,855	210,132	(26,723)
Total intergovernmental	522,855	522,855	650,187	127,332
Charges for services:				
Sanitation	365,623	365,623	396,681	31,058
Cemetery/parks	35,100	37,400	106,507	69,107
Communication center	110,352	110,352	45,797	(64,555)
Planning and zoning	8,300	6,000	191,541	185,541
Impact fees	12,380	12,380	9,904	(2,476)
Total charges for services	531,755	531,755	750,430	218,675
Fines and forfeitures:				
Court fines	391,400	391,400	436,351	44,951
Miscellaneous:				
Investment income	30,000	30,000	126,116	96,116
Lease revenue	27,524	27,524	31,928	4,404
Other	80,491	80,491	37,211	(43,280)
Total miscellaneous	138,015	138,015	195,255	57,240
Total revenues	<u>\$ 2,655,225</u>	<u>\$ 2,655,225</u>	<u>\$ 3,509,998</u>	<u>\$ 854,773</u>

See accompanying notes to the financial statements.

WELLSVILLE CITY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund

Continued

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures				
General government:				
Mayor and council	\$ 43,759	\$ 29,497	\$ 26,779	\$ 2,718
Administration	287,400	287,400	226,557	60,843
Court	389,463	414,463	414,326	137
Building and grounds	136,798	158,798	133,308	25,490
Planning and zoning	55,951	117,213	101,008	16,205
Total general government	913,371	1,007,371	901,978	105,393
Public safety:				
Police	71,929	71,929	71,929	-
Communication center	45,352	47,852	47,782	70
Fire	54,478	64,478	63,956	522
First responder	92,168	92,168	58,427	33,741
Animal control	9,515	9,515	8,819	696
Total public safety	273,442	285,942	250,913	35,029
Highways and public improvements:				
Streets	1,034,883	1,034,883	852,152	182,731
Sanitation	365,623	435,623	431,706	3,917
Total highways and public improvements	1,400,506	1,470,506	1,283,858	186,648
Parks, recreation and public property:				
Parks and open spaces	130,023	197,023	190,651	6,372
Cemetery	186,155	213,155	159,784	53,371
Community progress	89,250	94,250	91,115	3,135
Total parks, recreation and public property	405,428	504,428	441,550	62,878
Other financing uses:				
Transfers	56,292	806,292	788,729	17,563
Total financing uses	56,292	806,292	788,729	17,563
Total expenditures and other financing uses	3,049,039	4,074,539	3,667,028	407,511
Net change in fund balance	(393,814)	(1,419,314)	(157,030)	1,262,284
Fund balance, beginning	3,241,920	3,241,920	3,241,920	-
Fund balance, ending	<u>\$ 2,848,106</u>	<u>\$ 1,822,606</u>	<u>\$ 3,084,890</u>	<u>\$ 1,262,284</u>

WELLSVILLE CITY
Statement of Net Position
Proprietary Funds

As of June 30, 2025

	<u>Water Utility Fund</u>	<u>Wastewater Collection Fund</u>	<u>Nonmajor Storm Water Fund</u>	<u>Total 2025</u>	<u>Memorandum 2024</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 367,307	9,491	\$ 262,641	\$ 639,439	\$ 632,393
Accounts receivable	86,737	27,448	4,398	118,583	98,427
Due to/due from	-	(190,000)	190,000	-	-
Restricted cash and cash equivalents	137,192	-	-	137,192	2,988
Total current assets	<u>591,236</u>	<u>(153,061)</u>	<u>457,039</u>	<u>895,214</u>	<u>733,808</u>
Capital assets:					
Land and water rights	578,741	922,830	-	1,501,571	1,501,571
Construction in progress	1,617,928	-	-	1,617,928	-
Buildings	239,126	514,092	-	753,218	753,218
Improvements	8,579,703	5,304,597	350,648	14,234,948	12,837,530
Equipment	273,370	353,366	12,453	639,189	632,911
Less: accumulated depreciation	<u>(5,137,121)</u>	<u>(3,183,701)</u>	<u>(63,815)</u>	<u>(8,384,637)</u>	<u>(8,068,749)</u>
Total capital assets	<u>6,151,747</u>	<u>3,911,184</u>	<u>299,286</u>	<u>10,362,217</u>	<u>7,656,481</u>
Deferred outflows of resources - pension	<u>45,176</u>	<u>36,141</u>	<u>-</u>	<u>81,317</u>	<u>78,494</u>
Total assets and deferred outflows	<u>\$ 6,788,159</u>	<u>\$ 3,794,264</u>	<u>\$ 756,325</u>	<u>\$ 11,338,748</u>	<u>\$ 8,468,783</u>

See accompanying notes to the financial statements.

WELLSVILLE CITY
Statement of Net Position
Proprietary Funds

Continued

	Water Utility Fund	Wastewater Collection Fund	Nonmajor Storm Water Fund	Total 2025	Memorandum 2024
Liabilities					
Current liabilities:					
Accounts payable	\$ 80,235	\$ 58,347	\$ -	\$ 138,582	\$ 104,388
Interest payable	26,838	-	-	26,838	-
Bonds payable - due within a year	116,000	-	-	116,000	5,000
Total current liabilities	223,073	58,347	-	281,420	109,388
Long-term liabilities:					
Pension liability	33,559	26,847	-	60,406	43,867
Bonds payable -due in more than one year	1,594,000	-	-	1,594,000	10,000
Total long-term liabilities	1,627,559	26,847	-	1,654,406	53,867
Deferred inflows of resources - pension	436	349	-	785	1,399
Total liabilities and deferred inflows of resources	1,851,068	85,543	-	1,936,611	164,654
Net Position					
Net investment in capital assets	4,441,747	3,911,184	299,286	8,652,217	7,641,481
Restricted	137,192	-	-	137,192	2,988
Unrestricted	358,152	(202,463)	457,039	612,728	659,660
Total net position	\$ 4,937,091	\$ 3,708,721	\$ 756,325	\$ 9,402,137	\$ 8,304,129

WELLSVILLE CITY
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

For the Year Ended June 30, 2025

	Water Utility Fund	Wastewater Collection Fund	Nonmajor Storm Water	Total 2025	Memorandum 2024
Operating revenues:					
Charges for services	\$ 690,605	\$ 386,127	\$ 51,705	\$ 1,128,437	\$ 1,024,364
Other operating revenues	1,731	1,076	-	2,807	4,415
Total operating revenues	692,336	387,203	51,705	1,131,244	1,028,779
Operating expenses:					
Salary and wages	307,419	235,388	-	542,807	502,328
Other operating expenses	194,724	211,745	2,693	409,162	240,520
Supplies	141,253	121,008	21,924	284,185	208,590
Depreciation	185,639	139,872	6,099	331,610	328,965
Total operating expenses	829,035	708,013	30,716	1,567,764	1,280,403
Operating income (loss)	(136,699)	(320,810)	20,989	(436,520)	(251,624)
Non-operating revenues (expenses):					
Interest income	61,472	28,958	8,529	98,959	80,915
Interest expense	(26,838)	-	-	(26,838)	-
Total non-operating revenue (expenses)	34,634	28,958	8,529	72,121	80,915
Net income (loss) before contributions and transfers	(102,065)	(291,852)	29,518	(364,399)	(170,709)
Grants	268,452	102,934	-	371,386	-
Developers contributions	409,260	536,350	106,682	1,052,292	236,157
Transfers in	-	-	38,729	38,729	55,000
Change in net position	575,647	347,432	174,929	1,098,008	120,448
Total net position, beginning	4,361,444	3,361,289	581,396	8,304,129	8,183,681
Total net position, ending	\$ 4,937,091	\$ 3,708,721	\$ 756,325	\$ 9,402,137	\$ 8,304,129

See accompanying notes to the financial statements.

WELLSVILLE CITY
Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2025

	Water Utility Fund	Wastewater Collection Fund	Nonmajor Storm Water Fund	Total 2025	Memorandum 2024
Cash flows from operating activities					
Receipts from customers and users	\$ 669,358	\$ 389,375	\$ 52,355	\$ 1,111,088	\$ 1,018,719
Payments to suppliers	(275,047)	(129,335)	(214,831)	(619,213)	(508,408)
Payments to employees	(307,419)	(235,388)	-	(542,807)	(502,328)
Net cash flows from operating activities	86,892	24,652	(162,476)	(50,932)	7,983
Cash flows from non-capital financing activities					
Interfund activity	-	-	38,729	38,729	55,000
Net cash flows from non-capital financing activities	-	-	38,729	38,729	55,000
Cash flows from capital and related financing activities					
Purchases of capital assets	(1,837,513)	(147,541)	-	(1,985,054)	(91,504)
Grant proceeds	268,452	102,934	-	371,386	-
Proceeds from bond issuance	1,700,000	-	-	1,700,000	-
Principal paid on bonds payable	(5,000)	-	-	(5,000)	(5,000)
Interest paid on bonds payable	(26,838)	-	-	(26,838)	-
Net cash flows from capital and related financing activities	99,101	(44,607)	-	54,494	(96,504)
Cash flows from investing activities					
Interest received	61,472	28,958	8,529	98,959	80,915
Net cash flows from investing activities	61,472	28,958	8,529	98,959	80,915
Net increase (decrease) in cash, restricted cash, and cash equivalents	247,465	9,003	(115,218)	141,250	47,394
Cash, restricted cash, and cash equivalents, beginning of year	257,034	488	377,859	635,381	587,987
Cash, restricted cash, and cash equivalents, end of year	\$ 504,499	\$ 9,491	\$ 262,641	\$ 776,631	\$ 635,381

WELLSVILLE CITY
Statement of Cash Flows
Proprietary Funds

Continued

	Water Utility Fund	Wastewater Collection Fund	Nonmajor Storm Water Fund	Total 2025	Memorandum 2024
Shown in the Statement of Net Position as:					
Cash and cash equivalents	\$ 367,307	\$ 9,491	\$ 262,641	\$ 639,439	\$ 632,393
Restricted cash and cash equivalents	137,192	-	-	137,192	2,988
Cash, restricted cash, and cash equivalents	<u>\$ 504,499</u>	<u>\$ 9,491</u>	<u>\$ 262,641</u>	<u>\$ 776,631</u>	<u>\$ 635,381</u>
Reconciliation of operating income (loss) to net cash from operating activities:					
Operating income (loss)	\$ (136,699)	\$ (320,810)	\$ 20,989	\$ (436,520)	\$ (251,624)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	185,639	139,872	6,099	331,610	328,965
Due to/due from	12,117	177,883	(190,000)	-	-
Changes in assets and liabilities:					
Decrease (increase) in receivables	(22,978)	2,172	650	(20,156)	(10,060)
Decrease (increase) in deferred outflows	(1,568)	(1,255)	-	(2,823)	(22,358)
Increase (decrease) in accruals	41,534	19,712	(214)	61,032	(45,078)
Increase (decrease) in pension liability	9,188	7,351	-	16,539	14,459
Increase (decrease) in deferred inflows	(341)	(273)	-	(614)	(6,321)
Net cash flows from operating activities	<u>\$ 86,892</u>	<u>\$ 24,652</u>	<u>\$ (162,476)</u>	<u>\$ (50,932)</u>	<u>\$ 7,983</u>
Supplementary information					
Non-cash items from capital and related financing activities include:					
Developers contributions	<u>\$ 409,260</u>	<u>\$ 536,350</u>	<u>\$ 106,682</u>	<u>\$ 1,052,292</u>	<u>\$ 236,157</u>

See accompanying notes to the financial statements.

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WELLSVILLE CITY
Notes to the Financial Statements

For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The basic financial statements of Wellsville City ("City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement focus, basis of accounting, and financial statement presentation

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

WELLSVILLE CITY
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Measurement focus, basis of accounting, and financial statement presentation – *continued*

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

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

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Capital Projects Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

WELLSVILLE CITY
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Measurement focus, basis of accounting, and financial statement presentation – *continued*

The City reports the following major proprietary funds:

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

The Wastewater Collection Fund accounts for the operation and maintenance of the City-owned collection system for wastewater.

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

Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$3,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Construction in process is not depreciated until the asset has been placed into service.

WELLSVILLE CITY
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Fixed assets and long-term liabilities – *continued*

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

Water and sewer system improvements	40-50 years
Buildings	20-30 years
Equipment	5-10 years
Infrastructure	15 years
Improvements	20 years

Property Tax

Cache County assesses all taxable property other than centrally assessed property, which is assessed through the state, by May 22 of each year. The City should adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of two percent or \$10, whichever is greater. After January 1 of the following year, delinquent taxes and penalty bear interest at six percent above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

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

Pensions

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

WELLSVILLE CITY
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Net Position/Fund Balances

In the governmental fund financial statements, fund balances are classified as nonspendable (inventory or prepaid expenses), restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are externally imposed by state or federal laws or conditions of grantors or creditors. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Assigned fund balance is constrained by the City Council's intent to be used for specific purposes. Unassigned are those residual balances in the General Fund. Of the unrestricted resources, committed resources will be used first, followed by assigned resources, and then unassigned resources.

Budgets

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

The City can make adjustments to the adopted budget through public hearings. During the fiscal year, the City made several budget adjustments through a public hearing.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the business-type activities consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates in the Preparation of Financial Statements

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

WELLSVILLE CITY
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Reconciliation of government-wide and fund financial statements

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide Statement of Net Position. These differences primarily result from the long term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 18,540,769
Accumulated depreciation	<u>(8,517,323)</u>
Total difference	<u>\$ 10,023,446</u>

Pension related assets, liabilities, deferred inflows and deferred outflows were not due and payable in the current period and therefore not reported in the fund financial statements.

Net pension liability	\$ (35,477)
Deferred outflows of resources - pension	47,758
Deferred inflows of resources - pension	<u>(461)</u>
Total difference	<u>\$ 11,820</u>

WELLSVILLE CITY
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Reconciliation of government-wide and fund financial statements – *continued*

- B. Explanation of differences between governmental fund operating statements and the Statement of Net Activities.

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances of governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. The first element of this reconciliation states that bond principal is recorded as an expenditure in the governmental funds. The second element states that capital outlays are reported in the governmental funds as expenditures while the government-wide Statement of Activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 833,433
Developers contributions	801,203
Depreciation expense	<u>(393,815)</u>
Net difference as reported	<u><u>\$ 1,240,821</u></u>
Pension expense	<u>\$ (7,694)</u>
Net difference as reported	<u><u>\$ (7,694)</u></u>

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate unused vacation leave. The liability for compensated absences is recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized if the leave is attributable to services already rendered, accumulates, and is more likely than not to be used or time off or paid out upon termination or retirement. In the fund financial statements, governmental funds only report a liability for amounts that will be paid within the next year. Proprietary funds report a liability as it is incurred. The City pays employees for unused vacation leave over 160 hours each December 31st. Any remaining unearned leave is expected to be used prior to the end of the fiscal year. As such, all amounts are deemed current and recorded as accounts payable.

WELLSVILLE CITY
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position reports 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 or periods and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one such item that qualifies for reporting in this category. Deferred outflows of resources related to pensions includes a) net difference between projected and actual earnings on pension plan investments and b) City contributions subsequent to the measurement date of December 31, 2024.

In addition to liabilities, the Statement of Financial Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period or periods and will not be recognized as an inflow of resources (revenue) until that time. The City reported two of these items. Property taxes are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. Deferred inflows of resources related to pensions represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

2. LEGAL COMPLIANCE – BUDGETS/STATUTORY

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

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

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

3. CASH AND INVESTMENTS

The City considers cash and cash equivalents in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Utah Public Treasurers' Investment Fund (PTIF).

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. The City follows the requirements of the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7, the “Act”) in handling its depository and investing transactions. The City considers such actions to be sufficient for adequate protection of its uninsured bank deposits. City funds are deposited in qualified depositories as defined by the Act. The City does not have a deposit policy for custodial credit risk. As of June 30, 2025, \$1,170,751 of the local government's bank balances of \$1,420,851 was uninsured and uncollateralized. No deposits were collateralized, nor are they required to be by state statute.

Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the Act that relate to the deposit and investment of public funds.

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

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

WELLSVILLE CITY

Notes to the Financial Statements

Continued

3. CASH AND INVESTMENTS – *continued*

Investments – continued

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurers’ Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act. The Act established the Utah Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Fair Value of Investments

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

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

WELLSVILLE CITY
Notes to the Financial Statements

Continued

3. CASH AND INVESTMENTS – *continued*

Investments – *continued*

At June 30, 2025, the City had the following recurring fair value measurements.

Investments by fair value level	June 30, 2025	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
Utah Public Treasurers'				
Investment Fund	\$ 5,984,588	\$ -	\$ 5,984,588	\$ -
Total investments				
measured at fair value	\$ 5,984,588	\$ -	\$ 5,984,588	\$ -

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

- Utah Public Treasurers' Investment Fund: application of the June 30, 2025 fair value factor, as calculated by the Utah State Treasurer, to the District's average daily balance in the Fund.

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 Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days or 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to five years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years.

Investment Type	Fair Value	Investment Maturities (in years)		
		Less than 1	1-5	6-10
Debt Securities				
Utah Public Treasurers'				
Investment Fund	\$ 5,984,588	\$ 5,984,588	\$ -	\$ -
Total investments				
measured at fair value	\$ 5,984,588	\$ 5,984,588	\$ -	\$ -

WELLSVILLE CITY
Notes to the Financial Statements

Continued

3. CASH AND INVESTMENTS – *continued*

Credit Risk

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

For the year ended June 30, 2025, the City had investments of \$5,984,588 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Concentration of Credit Risk

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

Custodial Credit Risk

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

4. ` RESTRICTED CASH

The total restricted cash on the balance sheet was comprised of the following:

General fund:

Cemetery	\$	3,941	
Donations		3,765	
Grants		14,441	
B & C roads funds		<u>1,778,630</u>	
Total general fund			\$ 1,800,777

Proprietary funds:

Water utility fund:

Revenue bond sinking/reserve		<u>137,192</u>	
Total water utility fund		<u>137,192</u>	
Total proprietary funds			137,192
Total restricted cash			<u><u>\$ 1,937,969</u></u>

WELLSVILLE CITY
Notes to the Financial Statements

Continued

5. ACCOUNTS RECEIVABLE

Wellsville City had accounts receivable as of June 30, 2025 for all funds as follows:

General fund:			
Garbage	\$	35,425	
Court, net of \$55,000 allowance		58,802	
Emergency response		4,973	
Communication center		3,752	
Building permits		103,596	
Other		222	
Total general fund	\$	206,770	
Capital projects fund:			
Accounts receivable		3,762	
Total governmental funds			\$ 210,532
Enterprise funds:			
Water utility:			
Utility and fee payments		86,737	
Total water utility fund			86,737
Wastewater collection:			
Utility and fee payments		27,448	
Total wastewater collection fund			27,448
Storm water:			
Utility payments		4,398	
Total storm water fund			4,398
Total enterprise funds			118,583
Total accounts receivable			\$ 329,115

6. TAXES RECEIVABLE

Wellsville City had taxes receivable as of June 30, 2025, as follows:

B & C roads funds	\$	56,223
Property tax receivable		410,209
Sales, telecom, and transit taxes		170,877
Energy and use tax receivable		11,660
Total	\$	648,969

WELLSVILLE CITY
Notes to the Financial Statements

Continued

7. RESTRICTED FUND EQUITY

The amounts reported on the combined balance sheet identified as restricted fund balance and restricted retained earnings were comprised of the following:

General fund:		
Restricted roads	\$	1,834,853
Restricted cemetery		3,941
Restricted donations		3,765
Restricted grants		14,441
Total general fund	\$	1,857,000
Enterprise funds:		
Water utility fund (retained earnings):		
Restricted sinking/reserve		137,192
Total water utility fund		137,192
Total enterprise funds		137,192
Total restricted fund equity	\$	1,994,192

8. CAPITAL PROJECT FUNDS

The City has established one capital project fund to account for monies set aside for the improvements of a city yard and facilities.

9. CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

General government	\$	109,785
Streets		194,731
Parks and recreation		53,106
Public safety		36,193
Total depreciation expense	\$	393,815

WELLSVILLE CITY
Notes to the Financial Statements

Continued

9. CAPITAL ASSETS - *continued*

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,542,646	\$ -	\$ -	\$ 1,542,646
Total capital assets not being depreciated	1,542,646	-	-	1,542,646
Capital assets being depreciated:				
Buildings and improvements	4,283,381	486,641	32,749	4,737,273
Equipment	1,781,849	165,363	55,029	1,892,183
Infrastructure	9,322,129	1,046,538	-	10,368,667
Total capital assets being depreciated	15,387,359	1,698,542	87,778	16,998,123
Accumulated depreciation	(8,147,380)	(393,815)	(23,872)	(8,517,323)
Total capital assets being depreciated, net	7,239,979	1,304,727	63,906	8,480,800
Total governmental activities capital assets, net	\$ 8,782,625	\$ 1,304,727	\$ 63,906	\$ 10,023,446
Business-type activities:				
Capital assets not being depreciated:				
Land and water rights	\$ 1,501,571	\$ -	\$ -	\$ 1,501,571
Construction in progress	-	1,617,928	-	1,617,928
Total capital assets not being depreciated	1,501,571	1,617,928	-	3,119,499
Capital assets being depreciated:				
Improvements	12,837,530	1,397,418	-	14,234,948
Buildings	753,218	-	-	753,218
Equipment	632,911	116,336	110,058	639,189
Total capital assets being depreciated	14,223,659	1,513,754	110,058	15,627,355
Accumulated depreciation	(8,068,749)	(331,610)	(15,722)	(8,384,637)
Total capital assets being depreciated, net	6,154,910	1,182,144	94,336	7,242,718
Total business-type activities capital assets, net	\$ 7,656,481	\$ 2,800,072	\$ 94,336	\$ 10,362,217

WELLSVILLE CITY
Notes to the Financial Statements

Continued

10. CHANGES IN LONG-TERM DEBT

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

Bonds payable at July 1, 2024	\$ 15,000
Plus: bonds issued	1,700,000
Less: payment of principal	<u>(5,000)</u>
Bonds payable at June 30, 2025	<u>\$ 1,710,000</u>
Due within one year	<u>\$ 116,000</u>

Bonds payable at June 30, 2025 are comprised of the following individual issues:

Water utility fund

\$70,000 in water revenue bonds due to Utah Board of Water Resources in varying annual installments with no interest. Principal amounts vary from \$4,000 - \$5,000. The debt will retire January 1, 2027.	\$ 10,000
\$3,200,000 in water revenue bonds due to State of Utah Division of Drinking Water in varying annual installments including 2.4% interest. Principal amounts vary from \$111,000 - \$201,000. The debt will retire June 1, 2045.	<u>1,700,000</u>
Total	<u>\$ 1,710,000</u>

In accordance with GASB 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, The City has reported separately below the debt obligation, including direct placements. Direct placements have terms negotiated directly with the investor or lender and are not offered for public sale. The following is a summary of debt service requirements to maturity for direct placement bonds as of June 30:

Year Ending June 30,	Principal	Interest
2026	\$ 116,000	\$ 40,800
2027	124,000	38,136
2028	128,000	35,280
2029	137,000	32,208
2030	141,000	28,920
2031-2035	755,000	92,304
2036-2040	<u>309,000</u>	<u>10,944</u>
Total	<u>\$ 1,710,000</u>	<u>\$ 278,592</u>

WELLSVILLE CITY
Notes to the Financial Statements

Continued

11. DUE TO/DUE FROM AND INTERFUND TRANSFERS

Due to/due from funds as of June 30, 2025 is as follows:

Receivable fund	Payable fund	Amount	Description
	Wastewater		
Storm Water Fund	Collection Fund	\$ 190,000	Cash advance

The composition of interfund transfers through June 30, 2025 is as follows:

Purpose	Amount	Transfer in	Transfer out
Equipment/projects	\$ 750,000	Capital Projects Fund	General Fund
Equipment/projects	38,729	Storm Water Fund	General Fund

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by the City's participation in the State Risk Management System for municipalities. This is a pooled arrangement where the municipalities pay experienced rated annual premiums which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool also insures against excess losses to preserve the capital base.

Insurance coverage by major category of risk has remained relatively constant or increased as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

13. PENSION PLANS

General Information about the Pension Plan

Plan description – eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following pension trust funds:

Defined Benefit Plans

Public Employees Noncontributory Retirement System (Noncontributory System) and Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); are multiple employer, cost sharing, public employee retirement systems.

WELLSVILLE CITY
Notes to the Financial Statements

Continued

13. PENSION PLANS – *continued*

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

Summary of Benefits by System

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

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit 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 4.0%
Tier 2 Public Employees System	Highest 5 years	35 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.5% per year all years	Up to 2.5%

*actuarial reductions are applied

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

WELLSVILLE CITY
Notes to the Financial Statements

Continued

13. PENSION PLANS – *continued*

Contribution Rate Summary

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 URS 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)
Tier 2 Public Employees System			
111- Local Governmental Division Tier 2	0.70%	15.19%	N/A
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	16.97%	N/A
Tier 2 DC Public Employees Plan			
211- 401k option	N/A	5.19%	10.00%

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

Contribution Summary

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

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 32,249	N/A
Tier 2 Public Employees System	29,947	\$ 3,659
Tier 2 DC Public Employees Plan	7,515	N/A
Total contributions	<u>\$ 69,711</u>	<u>\$ 3,659</u>

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

WELLSVILLE CITY
Notes to the Financial Statements

Continued

13. PENSION PLANS – *continued*

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

At June 30, 2025, the City reported a net pension asset of \$0 and a net pension liability of \$95,883.

	(Measurement Date): December 31, 2024				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 12/31/2023	Change (Decrease)
Noncontributory System	\$ -	\$ 76,849	0.0242340%	0.0242248%	0.0000092%
Tier 2 Public Employees System	-	19,034	0.0063823%	0.0069047%	-0.0005224%
Total Net Pension Asset/Liability	<u>\$ -</u>	<u>\$ 95,883</u>			

The net pension asset and liability were 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, the City recognized pension expense of \$90,030.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,020	\$ 131
Changes in assumptions	12,714	2
Net difference between projected and actual earnings on pension plan investments	24,365	-
Changes in proportion and differences between contributions and proportionate share of contributions	4,320	1,113
Contributions subsequent to the measurement date	33,656	-
Total	<u>\$ 129,075</u>	<u>\$ 1,246</u>

WELLSVILLE CITY
Notes to the Financial Statements

Continued

13. PENSION PLANS – *continued*

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

As of June 30, 2025, \$33,656 was reported as deferred outflows of resources related to pensions resulting from contributions made by the City prior to the 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	\$ 45,951
2026	45,765
2027	(7,775)
2028	244
2029	4,375
Thereafter	5,614

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

Inflation	2.50 percent
Salary increases	3.50-9.50 percent, average, including inflation
Investment rate of Return	6.85 percent, net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2023. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using the ultimate rates from the MP-2020 improvement 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.

WELLSVILLE CITY
Notes to the Financial Statements

Continued

13. PENSION PLANS – *continued*

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

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

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

The 6.85 percent assumed investment rate of return is comprised of an inflation rate of 2.50 percent, and a real return of 4.35 percent 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.

WELLSVILLE CITY
Notes to the Financial Statements

Continued

13. PENSION PLANS – continued

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate – The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85 percent, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.85 percent) or one 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	\$ 325,007	\$ 76,849	\$ (131,276)
Tier 2 Public Employees System	56,851	19,034	(10,383)
Total	<u>\$ 381,858</u>	<u>\$ 95,883</u>	<u>\$ (141,659)</u>

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

Defined Contribution Savings 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.

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

- 401(k) 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:

	2025	2024	2023
401(k) Plan			
Employer contributions	\$ 27,311	\$ 25,491	\$ 18,011
Employee contributions	10,359	14,166	3,481
Roth IRA Plan			
Employee contributions	14,000	13,200	10,400

WELLSVILLE CITY
Notes to the Financial Statements

Continued

14. MEMORANDUM TOTALS

Prior year total columns on the financial statements are captioned “memorandum only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles; neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Certain reclassifications have taken place in the prior year to conform to current year presentation.

15. CHANGE IN ACCOUNTING PRINCIPLES

In 2025 the City adopted *GASB Statement No. 101– Compensated Absences*, which introduces a new model for recording obligations that arise from compensated absences. The new model focuses on recognizing liabilities for unused leave when it’s more likely than not to be used or paid out. This was effective for the City as of July 1, 2024, and had no material impact on the City’s financial statements.

The City also adopted *GASB Statement No. 102 – Certain Risk Disclosures*. This Statement establishes requirements to disclose certain risks faced by governments and defines concentrations and constraints. Risk disclosure under the new standard will provide timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make the City vulnerable to a substantial impact. This was effective for the city as of July 1, 2024, and had no material impact on the City’s financial statements.

16. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 19, 2025, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY SECTION

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WELLSVILLE CITY
Schedule of the Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years

For the Year Ended June 30, 2025

System	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 its covered- employee payroll
Noncontributory System	2016	0.0331753%	\$ 187,721	\$ 295,505	63.53%	87.80%
	2017	0.0331254%	212,705	299,121	71.11%	87.30%
	2018	0.0364427%	159,668	310,106	51.49%	91.90%
	2019	0.0346920%	255,463	298,914	85.46%	87.00%
	2020	0.0291637%	109,916	253,521	43.36%	93.70%
	2021	0.0306676%	15,731	261,436	6.02%	99.20%
	2022	0.0220572%	(126,325)	143,815	-87.84%	108.70%
	2023	0.0225701%	38,657	154,338	25.05%	97.50%
	2024	0.0242248%	56,191	178,478	31.48%	96.90%
	2025	0.0242340%	76,849	185,158	41.50%	96.02%
Tier 2 Public Employees	2017	0.0024008%	\$ 268	\$ 19,688	1.36%	95.10%
	2018	0.0080315%	708	78,625	0.90%	97.40%
	2019	0.0071470%	3,061	83,404	3.67%	90.80%
	2020	0.0062640%	1,409	87,032	1.62%	96.50%
	2021	0.0079833%	1,147	127,315	0.90%	98.30%
	2022	0.0114238%	(4,835)	212,261	-2.28%	103.80%
	2023	0.0073671%	8,022	160,413	5.00%	92.30%
	2024	0.0069047%	13,439	178,509	7.53%	89.58%
	2025	0.0063823%	19,034	189,002	10.07%	87.44%

Note: 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.

WELLSVILLE CITY
Schedule of Contributions
Last 10 Fiscal Years

For the Year Ended June 30, 2025

System	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
Noncontributory Retirement System	2016	\$ 55,466	\$ 55,466	\$ -	\$ 300,305	18.47%
	2017	53,217	53,217	-	288,128	18.47%
	2018	61,556	61,556	-	333,274	18.47%
	2019	46,181	46,181	-	250,030	18.47%
	2020	47,579	47,579	-	258,993	18.37%
	2021	37,827	37,827	-	206,988	18.27%
	2022	24,656	24,656	-	136,309	18.09%
	2023	30,477	30,477	-	172,093	17.71%
	2024	31,938	31,938	-	180,535	17.69%
	2025	32,249	32,249	-	190,956	16.89%
Tier 2 Public Employees System*	2017	\$ 8,066	\$ 8,066	\$ -	\$ 54,096	14.91%
	2018	12,038	12,038	-	79,753	15.09%
	2019	13,113	13,113	-	84,568	15.51%
	2020	13,817	13,817	-	88,232	15.66%
	2021	30,732	30,732	-	194,539	15.80%
	2022	33,944	33,944	-	223,457	15.19%
	2023	27,703	27,703	-	173,008	16.01%
	2024	29,334	29,334	-	183,223	16.01%
	2025	29,947	29,947	-	196,370	15.25%
Tier 2 DC Public Employees System*	2022	\$ 1,127	\$ 1,127	\$ -	\$ 16,852	6.69%
	2023	7,501	7,501	-	120,761	6.21%
	2024	8,070	8,070	-	130,366	6.19%
	2025	7,515	7,515	-	142,735	5.27%

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

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

WELLSVILLE CITY
Notes to the Required Supplementary Information
Last 10 Fiscal Years

For the Year Ended June 30, 2025

1. Changes in Assumptions

June 30, 2025 -There were no changes in the actuarial assumptions or methods since the prior actuarial valuation.

June 30, 2024 - Changes include updates to the mortality improvement assumption, salary increase assumption, assumed retirement rates, and assumed termination rates, as recommended with the January 1, 2023 actuarial experience study.

June 30, 2023 -There were no changes in the actuarial assumptions or methods since the prior actuarial valuation.

June 30, 2022 -The investment return assumption was decreased by 0.10% to 6.85% for use in the January 1, 2021 actuarial valuation. This assumption change was based on analysis performed by the actuary and adopted by the Utah State Retirement Board. In aggregate, this assumption change resulted in a \$509 million increase in the Total Pension Liability, which is about 1.3% of the Total Pension Liability as of December 31, 2020 for all systems combined. The demographic assumptions were reviewed and updated in the January 1, 2020 actuarial valuation and are currently scheduled to be reviewed in the year 2023.

June 30, 2021 -There were a number of demographic assumptions (e.g. rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board as a result of an Actuarial Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the Total Pension Liability, which is about 0.50% of the Total Pension Liability as of December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 31, 2019 provides detailed information regarding those assumption changes, which may be assessed online at newsroom.urs.org under the "Retirement Office" column using the "Reports and States" tab.

June 30, 2020 – As a result of the passage of SB 129, the retirement rates for members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier 1 Public Safety and Firefighters Systems, except for a 10 percent load at first eligibility for unreduced retirement prior to age 65.

June 30, 2019 – The assumptions and methods used to calculate the Total Pension Liability remain unchanged from the prior year.

June 30, 2018 -As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.2 percent to 6.95 percent, a reduction in the price inflation assumption from 2.6 percent to 2.5 percent (which also resulted in a corresponding decrease in the cost of- living-adjustment assumption for the funds with a 4.00 percent annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

June 30, 2017 and 2016– The following assumption changes were adopted from the most recent actuarial experience study. There was a decrease in the wage inflation assumption for all employee groups from 3.75 percent to 3.5 percent. Also, there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.5 percent to 3.25 percent. There was an improvement in the post- retirement mortality assumption for female educators and minor adjustments to the pre-retirement mortality assumption. There were additional changes to certain demographic assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

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SUPPLEMENTAL SECTION

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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 Honorable Mayor and City Council of
Wellsville City
Wellsville, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wellsville City (“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 December 19, 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 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 Wellsville 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 City’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Diana Cannell". The signature is written in a cursive, flowing style.

Richey, May & Co., LLP
North Logan, Utah
December 19, 2025

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

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

Report on Compliance

We have audited Wellsville City (“City”)’s compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the 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 Other Related Restricted Revenue
- Fraud Risk Assessment
- Governmental Fees
- Utah Retirement Systems
- Crime Insurance for Public Treasurers

Opinion on Compliance

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report On Internal Control over Compliance

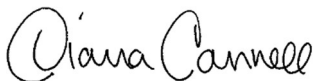
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct noncompliance with a state compliance requirement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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G, Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.



Richey, May & Co., LLP
North Logan, Utah
December 19, 2025

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WELLSVILLE CITY
Schedule of Findings and Recommendations
Current Year

For the Year Ended June 30, 2025

Our audit disclosed no findings in the current period that was required to be reported herein under the general accepted auditing standards, *Government Auditing Standards*, or compliance as required by the *State Compliance Audit Guide*.

WELLSVILLE CITY
Schedule of Findings and Recommendations
Prior Year

For the Year Ended June 30, 2025

Our audit disclosed no findings in the prior period that were required to be reported herein under the general accepted auditing standards, *Government Auditing Standards*, or compliance as required by the *State Compliance Audit Guide*.