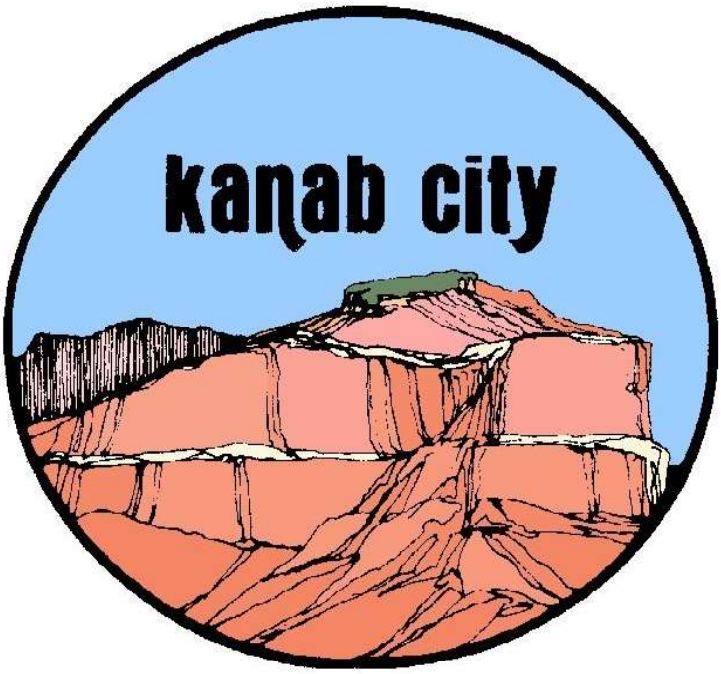


FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

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HINTON BURDICK
CPAs & ADVISORS

Independent Auditors' Report

The Honorable Mayor and
Members of the City Council
Kanab, 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 Kanab City, Utah, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Kanab City, Utah'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 Kanab City, Utah, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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, 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 Kanab City, Utah and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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 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, 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 Kanab City, Utah's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kanab City, Utah'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 Management's Discussion and Analysis and the other Required Supplementary Information, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kanab City, Utah's basic financial statements. The supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2025 on our consideration of Kanab City, Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Kanab City, Utah's internal control over financial reporting and compliance.

HintonBurdick, PLLC
HintonBurdick, PLLC
St. George, UT
October 27, 2025

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KANAB CITY, UTAH

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kanab (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. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net position increased by $3.1 million which resulted in total assets plus deferred outflows in excess of total liabilities plus deferred inflows of resources (net position) of $35.6 million at the close of the fiscal year.
- Total governmental revenues exceeded total governmental expenses by $1.63 million.
- Total business-type net position increased by $1.46 million.
- Total revenues from all sources were $13.87 million.
- The total cost of all City governmental programs was $10.8 million.
- The General Fund reported an excess of revenues over expenditures of $1.63 million, before transfers.
- Actual revenues received in the General Fund were more than the final budget by $702 thousand while actual expenditures were $461 thousand less than the final budget (before transfers).
- At the end of the current fiscal year, fund balance for the General Fund was $1.16 million or18% of total General Fund revenues, excluding transfers.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net position and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net Position, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's roads to accurately assess the overall health of the City.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, judicial, public works (streets/storm water), culture and recreation, community support and interest on long-term debt. Property taxes, sales tax, intergovernmental revenues and charges for services finance most of these activities.

- Proprietary activities/Business type activities – The distribution of culinary water, disposal of waste water, and storm water management are considered to be proprietary activities, as the City charges a fee to customers to cover all or most of the cost of the services provided.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be 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. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.

- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net position and the Statement of Activities.

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, donations for a specific purpose and others. These fiduciary activities are reported in a separate Statement of Fiduciary Net position. The City is responsible for ensuring that the assets are used for their intended purposes. Therefore, fiduciary activities are excluded from the City's other financial statements because the assets cannot be used to finance operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $28.38 million as of June 30, 2025 as shown in the following condensed statement of net position. The City has chosen to account for its water, sewer and storm water operations in enterprise funds which are shown as Business Activities.

Kanab City
Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Current and other assets	$ 11,528,525	$ 8,765,624	$ 10,093,114	$ 8,464,741	$ 21,621,639	$ 17,230,365
Capital assets	11,796,978	12,415,958	12,136,211	12,357,479	23,933,189	24,773,437
Total assets	23,325,503	21,181,582	22,229,325	20,822,220	45,554,828	42,003,802
Deferred outflows of resources	579,456	560,143	184,152	186,714	763,608	746,857
Long-term liabilities outstanding	3,097,337	3,122,781	4,931,936	4,941,429	8,029,273	8,064,210
Other liabilities	512,306	1,235,785	228,376	242,566	740,682	1,478,351
Total liabilities	3,609,643	4,358,566	5,160,312	5,183,995	8,769,955	9,542,561
Deferred inflows of resources	1,980,496	1,303,560	5,574	3,212	1,986,070	1,306,772
Net position:						
Invested in capital assets, net of related debt	9,418,114	9,820,890	7,478,709	7,608,357	16,896,823	17,429,247
Restricted	2,348,600	1,530,081	2,269,235	1,597,631	4,617,835	3,127,712
Unrestricted	6,548,106	4,728,628	7,499,647	6,615,739	14,047,753	11,344,367
Total net position	$ 18,314,820	$ 16,079,599	$ 17,247,591	$ 15,821,727	$ 35,562,411	$ 31,901,326

Governmental Activities

The cost of all governmental activities this year was $8.2 million. As shown on the statement of Changes in Net Position on the following page, $1.78 million of this cost was paid for by those who directly benefited from the programs through charges for services, and $2.6 million was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes and investment earnings of governmental activities totaled $5.49 million.

Kanab City
Changes in Net Position

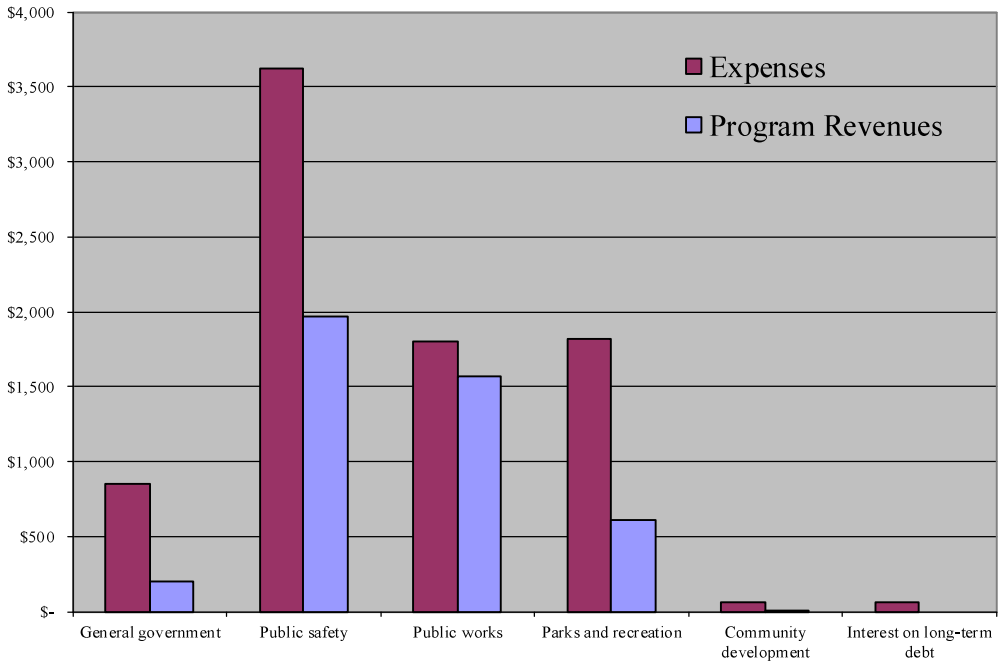
The City's programs include: General Government, Public Safety, Public Works, Parks & Recreation and Community Development. Each program's revenues and expenses are presented below.

	Governmental activities		Business-type activities		Total	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Revenues:						
Program revenues:						
Charges for services	$ 1,781,248	$ 1,766,073	$ 3,137,100	$ 3,113,336	$ 4,918,348	$ 4,879,409
Operating grants and contributions	778,047	348,122	-	66,611	778,047	414,733
Capital grants and contributions	1,794,733	1,742,653	687,737	663,850	2,482,470	2,406,503
General revenues:						
Taxes	4,942,658	5,226,582	-	-	4,942,658	5,226,582
Other	634,786	537,040	118,500	125,045	753,286	662,085
Total revenues	9,931,472	9,620,470	3,943,337	3,968,842	13,874,809	13,589,312
Expenses:						
General government	848,720	919,108	-	-	848,720	919,108
Public safety	3,627,705	3,331,246	-	-	3,627,705	3,331,246
Public works	1,795,515	1,365,353	-	-	1,795,515	1,365,353
Parks and recreation	1,817,239	1,690,745	-	-	1,817,239	1,690,745
Community development	60,087	52,694	-	-	60,087	52,694
Interest on long-term debt	64,885	70,415	-	-	64,885	70,415
Water and sewer	-	-	2,019,320	2,376,451	2,019,320	2,376,451
Storm Water	-	-	554,650	257,353	554,650	257,353
Total expenses	8,214,151	7,429,561	2,573,970	2,633,804	10,788,121	10,063,365
(Decrease)/Increase in net position before transfers	1,717,321	2,190,909	1,369,367	1,335,038	3,086,688	3,525,947
Transfers	(87,920)	-	87,920	-	-	-
(Decrease)/Increase in net position	1,629,401	2,190,909	1,457,287	1,335,038	3,086,688	3,525,947
Net position, beginning	16,079,599	13,888,690	15,821,727	14,486,689	31,901,326	28,375,379
Restatement Adjustment	605,820	-	(31,423)	-	574,397	-
Net position, ending	$ 18,314,820	$ 16,079,599	$ 17,247,591	$ 15,821,727	$ 35,562,411	$ 31,901,326

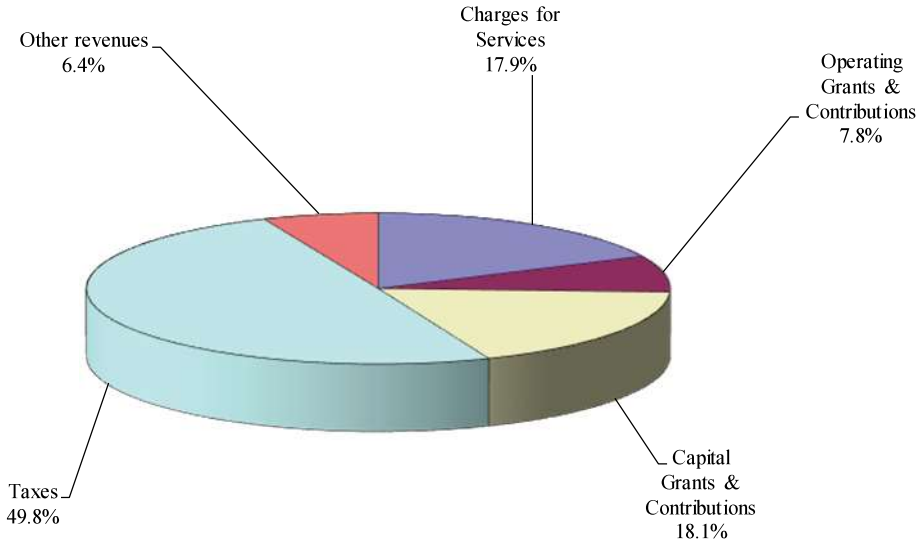
Total resources available during the year to finance governmental operations were $26.6 million consisting of Net Position at July 1, 2024 of $16.7 million, program revenues of $4.35 million and General Revenues (including transfers when applicable) of $5.58 million. Total Governmental Activities expenses during the year were $8.2 million. Governmental Net Position increased by $1.6 million to $18.3 million.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities
(in Thousands)



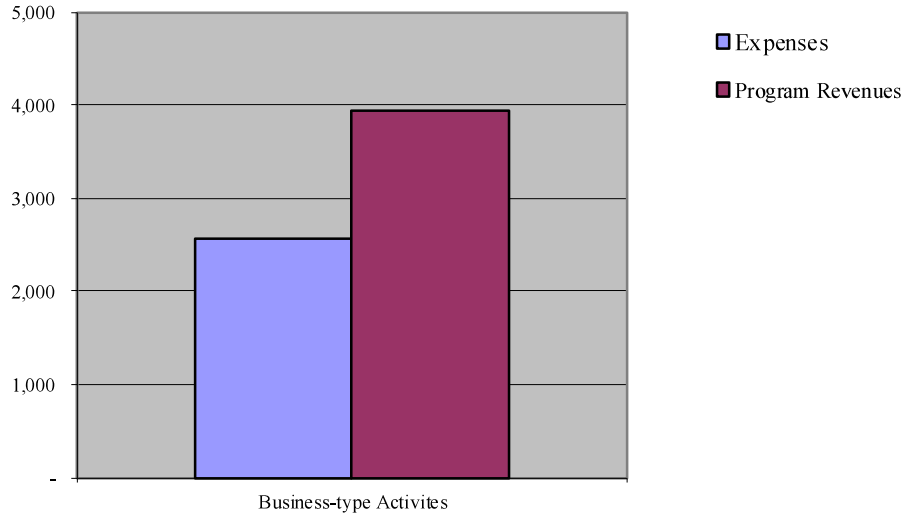
Revenue By Source - Governmental Activities



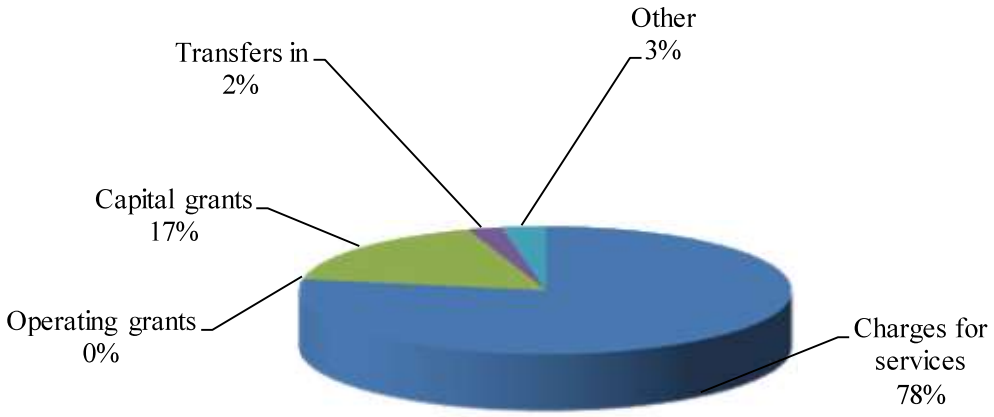
Business Type Activities

Net position of the Business Type activities at June 30, 2025, as reflected in the Statement of Net Position was $17.25 million. The cost of providing all Proprietary (Business Type) activities this year was $2.57 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were $3.14 million and capital grants, contributions and other revenues were $.69 million. Net position increased by $1.46 million.

Expenses and Program Revenues - Business- type Activities
(in Thousands)



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the fiscal year ending June 30, 2025, the City's governmental funds reported combined ending fund balances of $9.1 million, an increase of $2.1 million in comparison with the prior year.

The general fund is the chief operating fund of the City. As of the end of the fiscal year ending June 30, 2025, total fund balance is $2.7 million. The City budgeted to reduce the general fund balance by $516 thousand during the year and the general fund balance actually increased by $627 thousand. Key factors in this change are as follows:

- Actual revenues received in the general fund were $702 thousand more than what was budgeted while actual expenditures were less than budgeted by $461 thousand.

Other governmental funds consist of the Capital Projects fund, Airport Capital Improvement Fund, Recreation fund, Transportation fund, JH Park Expansion fund, Existing Capital Repairs fund, Heritage House Capital Projects fund, Wildland Fire fund, Fire Station Fund, Debt Service Fund, and the Perpetual Care fund which have a combined total fund balance of $6.3 million.

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the Water/Sewer and Storm Water funds was $17.2 million, consisting of $7.5 million in net investment in capital assets, $137 thousand is restricted for debt service, $2.13 million is restricted for capital outlay, and $7.5 million in unrestricted net position.

General Fund Budgetary Highlights

The actual expenditures for the General Fund at year-end were $461 thousand less (before transfers) than the final budget. Actual revenues were more than the final budget by $702 thousand. The budget was amended during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2025, total capital assets of the government activities totaled $11.8 million and the total capital assets of the business-type activities totaled $12.14 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the City had $3.1 million in governmental type debt, and $4.9 million in proprietary debt. During the current fiscal year, the City's total debt decreased by $35 thousand. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2025/2026, the City Council and management were cautious as to the growth of revenues and expenditures, with revenues projected to grow slowly.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Kanab, 26 North 100 East, 84741.

BASIC FINANCIAL STATEMENTS

KANAB CITY, UTAH
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 8,692,702	$ 9,259,162	$ 17,951,864
Receivables (net of allowance)	742,001	477,667	1,219,668
Property taxes receivable	1,963,777	-	1,963,777
Inventory	23,015	177,527	200,542
Temporarily restricted assets:			
Cash and cash equivalents	107,030	178,758	285,788
Capital assets not being depreciated:			
Land	734,249	332,087	1,066,336
Construction in progress	139,637	36,830	176,467
Capital assets, net of accumulated depreciation:			
Buildings	3,325,059	337,080	3,662,139
Improvements	4,075,866	-	4,075,866
Machinery and equipment	427,790	904,777	1,332,567
Automobiles and trucks	738,524	299,207	1,037,731
Distribution system	-	10,226,230	10,226,230
Infrastructure	2,355,853	-	2,355,853
Total assets	23,325,503	22,229,325	45,554,828
Deferred Outflows of Resources			
Deferred outflows related to pensions	579,456	184,152	763,608
Liabilities			
Accounts payable and other current liabilities	497,684	223,822	721,506
Interest payable	14,622	4,554	19,176
Noncurrent liabilities:			
Due within one year	372,706	119,806	492,512
Due in more than one year	2,724,631	4,812,130	7,536,761
Total liabilities	3,609,643	5,160,312	8,769,955
Deferred Inflows of Resources			
Deferred inflows related to pensions	16,719	5,574	22,293
Unavailable revenue - property taxes	1,963,777	-	1,963,777
Total deferred inflows of resources	1,980,496	5,574	1,986,070
Net Position			
Net investment in capital assets	9,418,114	7,478,709	16,896,823
Restricted for:			
Debt service	107,030	136,770	243,800
Capital projects	1,927,150	2,132,465	4,059,615
Perpetual care - nonexpendable	314,420	-	314,420
Unrestricted	6,548,106	7,499,647	14,047,753
Total Net Position	$ 18,314,820	$ 17,247,591	$ 35,562,411

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

KANAB CITY, UTAH
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
General government	$ 848,720	$ 199,925	$ -	$ -	$ (648,795)	$ -	$ (648,795)
Public safety	3,627,705	1,118,856	617,246	234,920	(1,656,683)	-	(1,656,683)
Public works	1,795,515	168,256	-	1,396,930	(230,329)	-	(230,329)
Parks and recreation	1,817,239	291,361	154,455	162,883	(1,208,540)	-	(1,208,540)
Community development	60,087	2,850	6,346	-	(50,891)	-	(50,891)
Interest on long-term debt	64,885	-	-	-	(64,885)	-	(64,885)
Total governmental activities	8,214,151	1,781,248	778,047	1,794,733	(3,860,123)	-	(3,860,123)
Business-type activities:							
Water & Sewer	2,019,320	2,544,321	-	486,407	-	1,011,408	1,011,408
Storm water	554,650	592,779	-	201,330	-	239,459	239,459
Total business-type activities	2,573,970	3,137,100	-	687,737	-	1,250,867	1,250,867
Total primary government	$ 10,788,121	$ 4,918,348	$ 778,047	$ 2,482,470	(3,860,123)	1,250,867	(2,609,256)
General Revenues:							
Taxes:							
Property taxes levied for general purposes					1,425,135	-	1,425,135
Sales and use taxes					3,476,419	-	3,476,419
Franchise taxes					41,104	-	41,104
Unrestricted investment earnings					634,786	118,500	753,286
Transfers					(87,920)	87,920	-
Total general revenues and transfers					5,489,524	206,420	5,695,944
Change in net position					1,629,401	1,457,287	3,086,688
Net position - beginning					16,079,599	15,821,727	31,901,326
Prior period adjustment					605,820	(31,423)	574,397
Net position- ending					$ 18,314,820	$ 17,247,591	$ 35,562,411

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

KANAB CITY, UTAH
Balance Sheet
Governmental Funds
June 30, 2025

	General Fund	Capital Projects	Impact Fees Capital Project Fund	(formerly major) Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 2,322,921	$ 2,155,576	$ 1,660,576	$ -	$ 2,553,629	$ 8,692,702
Receivables	49,129	-	-	-	10,734	59,863
Property taxes receivable	1,963,777	-	-	-	-	1,963,777
Due from other governments	560,540	-	-	-	121,598	682,138
Inventory	23,015	-	-	-	-	23,015
Restricted cash and cash equivalents	107,030	-	-	-	-	107,030
Total assets	$ 5,026,412	$ 2,155,576	$ 1,660,576	$ -	$ 2,685,961	$ 11,528,525
Liabilities						
Accounts payable	$ 128,956	$ 35,158	$ -	$ -	$ 122,386	$ 286,500
Accrued liabilities	188,284	-	-	-	22,900	211,184
Total liabilities	317,240	35,158	-	-	145,286	497,684
Deferred Inflows of Resources						
Unavailable revenue - property taxes	1,963,777	-	-	-	-	1,963,777
Total deferred inflows of resources	1,963,777	-	-	-	-	1,963,777
Fund Balances						
Nonspendable for:						
Inventory	23,015	-	-	-	-	23,015
Perpetual care	-	-	-	-	314,420	314,420
Restricted for:						
Debt service	107,030	-	-	-	-	107,030
Capital outlay	-	-	1,660,576	-	266,574	1,927,150
Committed for:						
Capital outlay	-	2,120,418	-	-	138,575	2,258,993
Recreation	-	-	-	-	209,459	209,459
Assigned to:						
Debt service	-	-	-	-	115,286	115,286
Capital outlay	-	-	-	-	1,318,533	1,318,533
Fire Department	-	-	-	-	177,828	177,828
Equipment replacement	250,000	-	-	-	-	250,000
Sick leave reimbursement	265,462	-	-	-	-	265,462
Unassigned	2,099,888	-	-	-	-	2,099,888
Total fund balances	2,745,395	2,120,418	1,660,576	-	2,540,675	9,067,064
Total liabilities, deferred inflows of resources, and fund balances	$ 5,026,412	$ 2,155,576	$ 1,660,576	$ -	$ 2,685,961	$ 11,528,525

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

KANAB CITY, UTAH
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2025

Total fund balances - total governmental funds		$ 9,067,064
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	$ 30,376,863	
Accumulated depreciation	(18,579,885)	
		11,796,978
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	(1,568,700)	
Financed purchases	(810,164)	
Compensated absences	(254,565)	
Net pension liability	(463,908)	
Accrued interest payable	(14,622)	
		(3,111,959)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds		
Deferred outflows	579,456	
Deferred inflows	(16,719)	
		562,737
Net position of governmental activities		$ 18,314,820

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

KANAB CITY, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2025

	General	Capital Project	Impact Fee Capital Project Fund	(formerly major) Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 988,816	$ -	$ -	$ -	$ 375,000	$ 1,363,816
Fees in lieu of property taxes	61,319	-	-	-	-	61,319
Sales and use taxes	3,476,419	-	-	-	-	3,476,419
Franchise taxes	41,107	-	-	-	-	41,107
Licenses, permits and fees	605,780	-	-	-	-	605,780
Intergovernmental revenue	639,387	-	-	-	1,220,316	1,859,703
Sanitation service revenues	22,285	-	-	-	-	22,285
Charges for services	5,625	-	-	-	174,229	179,854
Fines and forfeitures	62,047	-	-	-	-	62,047
Impact fees	-	-	760,780	-	-	760,780
Donations and other revenues	833,576	-	-	-	-	833,576
Investment earnings	498,139	40,717	75,357	-	20,573	634,786
Other revenues	-	-	-	-	30,000	30,000
Total revenues	7,234,500	40,717	836,137	-	1,820,118	9,931,472
Expenditures						
Current:						
General government	707,099	-	-	-	-	707,099
Public safety	3,335,162	-	-	-	29,313	3,364,475
Public works	511,178	-	-	-	1,026,377	1,537,555
Parks and recreation	1,004,944	24,368	-	-	583,118	1,612,430
Community development	44,961	-	-	-	-	44,961
Debt service:						
Principal	-	-	-	-	215,904	215,904
Interest	-	-	-	-	65,622	65,622
Capital outlay	-	24,000	-	-	134,105	158,105
Total expenditures	5,603,344	48,368	-	-	2,054,439	7,706,151
Excess (deficiency) of revenues over (under) expenditures	1,631,156	(7,651)	836,137	-	(234,321)	2,225,321
Other Financing Sources (Uses)						
Transfers in	-	375,772	76,057	-	684,015	1,135,844
Transfers out	(1,003,977)	-	(139,787)	-	(80,000)	(1,223,764)
Total other financing sources and uses	(1,003,977)	375,772	(63,730)	-	604,015	(87,920)
Net change in fund balances	627,179	368,121	772,407	-	369,694	2,137,401
Fund balances, beginning of year, as previously reported	1,439,825	1,752,297	888,169	101,616	2,069,365	6,251,272
Adjustment - changes from non-major to major	-	-	-	(101,616)	101,616	-
Prior period adjustment	678,391	-	-	-	-	678,391
Fund balances, beginning of year, as adjusted	2,118,216	1,752,297	888,169	-	2,170,981	6,929,663
Fund balances, end of year	$ 2,745,395	$ 2,120,418	$ 1,660,576	$ -	$ 2,540,675	$ 9,067,064

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

KANAB CITY, UTAH
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 2,137,401
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.		
Capital outlay	$ 266,187	
Depreciation expense	(885,167)	
		(618,980)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		216,204
Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured six months before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Change in net pension liability	(79,572)	
Change in net pension asset	-	
Change in deferred outflows related to pensions	19,313	
Change in deferred inflows related to pensions	(7,085)	
		(67,344)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Change in compensated absences	(38,617)	
Change in accrued interest	737	
		(37,880)
Change in net position of governmental activities		$ 1,629,401

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

KANAB CITY, UTAH
Statement of Net Position
Proprietary Funds
June 30, 2025

	Water & Sewer	Storm Water	Total Proprietary Funds
Assets			
Current assets:			
Cash and cash equivalents	$ 5,882,857	3,376,305	$ 9,259,162
Receivables, net of allowance	418,445	59,222	477,667
Inventory	177,527	-	177,527
Total current assets	6,478,829	3,435,527	9,914,356
Noncurrent assets:			
Restricted cash and cash equivalents	136,770	41,988	178,758
Capital assets:			
Land	313,032	19,055	332,087
Buildings	639,096	-	639,096
Machinery and equipment	1,808,905	-	1,808,905
Automobiles and trucks	645,102	63,238	708,340
Distribution system	15,880,300	1,901,271	17,781,571
Construction in progress	36,830	-	36,830
Less: Accumulated depreciation	(8,735,451)	(435,167)	(9,170,618)
Total noncurrent assets	10,724,584	1,590,385	12,314,969
Total assets	17,203,413	5,025,912	22,229,325
Deferred Outflows of Resources			
Deferred outflows related to pensions	184,152	-	184,152
Liabilities			
Current liabilities:			
Accrued liabilities	161,911	21,517	183,428
Customer deposits	40,394	-	40,394
Interest payable	4,554	-	4,554
Current portion of noncurrent liabilities	119,806	-	119,806
Total current liabilities	326,665	21,517	348,182
Noncurrent liabilities:			
Compensated absences	119,798	-	119,798
Net pension liability	154,636	-	154,636
Bonds payable	4,657,502	-	4,657,502
Less current portion of noncurrent liabilities	(119,806)	-	(119,806)
Total noncurrent liabilities	4,812,130	-	4,812,130
Total liabilities	5,138,795	21,517	5,160,312
Deferred Inflows of Resources			
Deferred inflows related to pensions	5,574	-	5,574
Net Position			
Net investment in capital assets	5,930,312	1,548,397	7,478,709
Restricted for debt service	136,770	-	136,770
Restricted for capital outlay	1,513,562	618,903	2,132,465
Unrestricted	4,662,552	2,837,095	7,499,647
Total net position	$ 12,243,196	$ 5,004,395	$ 17,247,591

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

KANAB CITY, UTAH
Statement of Revenues, Expenses, and Changes In Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Water & Sewer	Storm Water	Total Proprietary Funds
Operating revenues:			
Charges for services	$ 2,420,070	$ 592,779	$ 3,012,849
Connection fees	52,933	-	52,933
Other revenues	71,318	-	71,318
Total operating revenues	2,544,321	592,779	3,137,100
Operating expenses:			
Salaries and wages	546,560	179,878	726,438
Employee benefits	334,128	110,772	444,900
Distribution system repairs and maintenance	329,673	18,558	348,231
Office expense	59,028	3,541	62,569
Supplies	4,509	59,195	63,704
Insurance	31,400	-	31,400
Depreciation	442,479	105,518	547,997
Utilities	78,399	-	78,399
Professional services	33,932	77,188	111,120
Travel and training	11,385	-	11,385
Miscellaneous	15,448	-	15,448
Total operating expenses	1,886,941	554,650	2,441,591
Operating income	657,380	38,129	695,509
Nonoperating revenues (expenses):			
Impact fees	486,407	201,330	687,737
Interest income	109,036	9,464	118,500
Interest expense and fiscal charges	(82,379)	-	(82,379)
Payment to Kane County Water Conservancy Dist.	(50,000)	-	(50,000)
Total nonoperating revenues (expenses)	463,064	210,794	673,858
Income before contributions and transfers	1,120,444	248,923	1,369,367
Change in net position	1,172,504	284,783	1,457,287
Total net position, beginning of year, as previously stated	11,102,115	4,719,612	15,821,727
Effect of change in accounting principal (GASB 101)	(31,423)	-	(31,423)
Total net position, end of year	$ 12,243,196	$ 5,004,395	$ 17,247,591

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

KANAB CITY, UTAH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Water & Sewer	Storm Water	Total Proprietary Funds
Cash flows from operating activities:			
Cash received from customers, service fees	$ 2,392,970	$ 590,678	$ 2,983,648
Cash received from customers, other	124,251	-	124,251
Cash paid to suppliers	(563,774)	(158,482)	(722,256)
Cash paid to employees	(849,372)	(279,307)	(1,128,679)
Cash flows from operating activities	1,104,075	152,889	1,256,964
Cash flows from noncapital financing activities:			
Transfers (to) from other funds	52,060	35,860	87,920
Cash flows from noncapital financing activities	52,060	35,860	87,920
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(91,620)	-	(91,620)
Interest paid	(82,379)	-	(82,379)
Purchase of capital assets	(263,492)	(63,238)	(326,730)
Payment to Kane County Water Conservancy Dist.	(50,000)	-	(50,000)
Impact fees	486,407	201,330	687,737
Cash flows from capital and related financing activities:	(1,084)	138,092	137,008
Cash flows from investing activities:			
Interest on investments	109,036	9,464	118,500
Net change in cash and cash equivalents	1,264,087	336,305	1,600,392
Cash and cash equivalents, including restricted cash, beginning of year	4,755,540	3,081,988	7,837,528
Cash and cash equivalents, including restricted cash, end of year	$ 6,019,627	$ 3,418,293	$ 9,437,920
Reconciliation of operating income to net cash flows from operating activities:			
Net operating income	$ 657,380	$ 38,129	$ 695,509
Adjustments to reconcile net income to net cash flows from operating activities			
Depreciation/amortization	442,479	105,518	547,997
Pension expense	(31,448)	-	(31,448)
Changes in operating assets and liabilities:			
(Increase) Decrease in receivables	(27,100)	(2,101)	(29,201)
(Increase) Decrease in pension related items	31,448	-	31,448
Increase (Decrease) in accrued liabilities	31,316	11,343	42,659
Cash flows from operating activities	$ 1,104,075	$ 152,889	$ 1,256,964

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

NOTE 1. Summary of Significant Accounting Policies

Description of Government-Wide 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 non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

Kanab City, Utah (government) is governed by an elected mayor and governing council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended component unit. The Municipal Building Authority of the City of Kanab (the Authority) was formally recognized by the State of Utah as an incorporated entity in 1986. The Authority was formed for the purpose of accomplishing the public purposes for which the City of Kanab exists by acquiring, improving, or extending one or more projects and financing the cost of such projects on behalf of the City of Kanab. The Authority is governed by the board of trustees comprised of the elected officials of the City of Kanab.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds

NOTE 1. Summary of Significant Accounting Policies, Continued

are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The **Capital Project Fund** is used to account for the financial resources used to acquire and/or construct major capital assets.

The **Impact Fee Capital Project** is used to account for the collection of impact fees and the expenditure of these fees on public facilities and infrastructure.

The City reports the following major proprietary funds:

The **Water & Sewer Fund** is used to account for the provision of water & sewer services to the residents of the City.

The **Storm Water Fund** is used to account for the revenue from the Storm water utility fee that is used to fund the operations, maintenance and capital improvements of the City's storm water collection system.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

NOTE 1. Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, room taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting.*

NOTE 1. Summary of Significant Accounting Policies, Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to" or "due from other funds." All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectable amounts. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business type activities are valued at the lower of cost or market. Market is considered as replacement cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than $5,000 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

NOTE 1. Summary of Significant Accounting Policies, Continued

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	20-40 years
Automobiles and trucks	5-7 years
Machinery and equipment	7 years
Infrastructure	20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide financial statements. See footnote 8 for more information.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of* resources, represent 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. The City has two types of items that qualify for reporting in this category. Pension related items reported on the government-wide and proprietary fund financial statements. See footnote 8 for more information. Another item, *unavailable revenue,* is reported in the governmental funds balance sheet and governmental activities statement of net position. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as in inflow of resources in the period that the amounts become available.

Pensions

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

NOTE 1. Summary of Significant Accounting Policies, Continued

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

NOTE 1. Summary of Significant Accounting Policies, Continued

Leases and Subscription-Based Information Technology Arrangements

Kanab City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-based information technology arrangements: Kanab City recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements. Kanab City recognizes subscription liabilities with an initial, individual value of $5,000 or more. Kanab City uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement.

The City had not entered into any significant Lease and Subscription-Based Information Technology Arrangements for the year ended June 30, 2025.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes are collected by the Kane County Treasurer and remitted to the City in three installments: July, December, and March. Taxes are levied and are due and payable on November 1 and delinquent after November 30 of each year at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes has not been made, as the amounts are not material in relationship to the financial statements taken as a whole.

NOTE 1. Summary of Significant Accounting Policies, Continued

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and comp time in the proprietary funds are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

In fiscal year 2025,the city implemented the provision of GASB Statement No. 101, *Compensated Absences*. This statement requires the City to recognize a liability for accumulated unpaid vacation, sick, and comp time. The liability has been estimated based on if the unused leave is, 1) attributable to services already rendered, 2) the benefits accumulate, and 3) if it is more likely than not that the unused leave will be utilized. The implementation of GASB statement 101 resulted in an adjustment to the beginning net position of the governmental activities and business-type activities of $72,571 and $31,423, respectively.

Proprietary Fund Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating 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 the 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 non-operating revenues and expenses.

Utah Minimum Fund Balance

Utah code 10-6-116(4) indicates that only the "fund balance in excess of 5% of total revenue of the general fund may be utilized for budget purposes". The remaining 5% must be maintained as a minimum fund balance. The City does not currently have any other fund balance stabilization arrangements.

Use of Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

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. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 17.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 19.

NOTE 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The City Council observes the following procedures in establishing the budgetary data reflected in the financial statements:

(1) Prior to the first meeting in May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Budgets are required for the General Fund, Debt Service Fund, Special Revenue Fund, Capital Projects Funds, Permanent Funds and the Enterprise Funds.

(2) Public hearings are conducted to obtain taxpayer comments.

(3) Prior to June 22, the budget is legally enacted through passage of an ordinance.

(4) The City Manager is authorized to transfer budgeted amounts within departments; however, to transfer budgeted amounts between departments requires City Council approval. Any revisions that alter the total expenditures of any fund must be approved through public hearing by the City Council and can be made at any time during the fiscal year.

Budgets for the General Fund, Debt Service Fund, Special Revenue Fund, Capital Projects Funds and Permanent Funds are prepared on the modified accrual method of accounting. Budgets for the Enterprise Funds are prepared on the accrual basis of accounting. Control is maintained at the function level. (i.e. Public Safety, Highways, etc.) All appropriations lapse at year-end. Utah State law requires budgets to be prepared and reported on for the General Fund, Debt Service Fund, Special Revenue Fund, Capital Projects Funds and Permanent Funds. The budget was amended during the current fiscal year.

NOTE 4. Deposits and Investments

Deposits and investments of the City at June 30, 2025 consist of the following:

Deposits		
Cash on hand	$	100
Cash in bank		13,021,835
Investments		
State treasurer's investment pool		5,215,717
Total deposits and investment	$	18,237,652

A reconciliation of cash and investments as shown of the Statement of Net Position follows:

Cash and cash equivalents	$	17,951,864
Restricted cash and cash equivalents		285,788
Total cash and cash equivalents	$	18,237,652

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

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

NOTE 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2025, $951,733 of the City's deposits were in excess of FDIC insurance.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the City 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.

The Act authorizes investments in negotiable or nonnegotiable deposits of qualified depositories and permitted 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; the Utah Public Treasurer's Investment Fund; and reciprocal deposits subject to rules of the State Money Management Council.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments. Financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer's Office.

NOTE 4. Deposits and Investments, Continued

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

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

Investment Type	Fair Value	Quality Rating (1)	Weighted Average Maturity (2)
State of Utah Public Treasurer's Investment Fund	$ 5,215,717	N/A	66.13
Total Fair Value	$ 5,215,717		

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.
(2) Interest Rate Risk is estimated using the weighted average days to maturity.

Interest rate risk

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

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 exposure to credit risk is to comply with the State of Utah's Money Management Act.

Fair value measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2025:

- PTIF are valued using amortized cost (Level 2 inputs).

NOTE 5. Capital Assets

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

Governmental Activities:	Balance 6/30/2024	Additions	Deletions	Transfers	Balance 6/30/2025
Capital assets, not being depreciated:					
Land	$ 734,249	$ -	$ -	$ -	$ 734,249
Construction in Progress	413,704	100,729	-	(374,796)	139,637
Total capital assets, not being depreciated	1,147,953	100,729	-	(374,796)	873,886
Capital assets, being depreciated:					
Buildings	6,727,411	-	-	-	6,727,411
Improvements	11,520,025	30,122	-	374,796	11,924,943
Machinery & equipment	1,110,529	103,761	-	-	1,214,290
Library books	30,665	-	-	-	30,665
Automobiles and trucks	1,282,608	31,575	-	-	1,314,183
Infrastructure	8,291,485	-	-	-	8,291,485
Total capital assets, being depreciated	28,962,723	165,458	-	374,796	29,502,977
Less accumulated depreciation for:					
Buildings	(3,169,002)	(233,350)	-	-	(3,402,352)
Improvements	(7,547,477)	(301,600)	-	-	(7,849,077)
Machinery & equipment	(699,796)	(86,704)	-	-	(786,500)
Library books	(30,665)	-	-	-	(30,665)
Automobiles and trucks	(449,624)	(126,035)	-	-	(575,659)
Infrastructure	(5,798,154)	(137,478)	-	-	(5,935,632)
Total accumulated depreciation	(17,694,718)	(885,167)	-	-	(18,579,885)
Total capital assets, being depreciated, net	11,268,005	(719,709)	-	374,796	10,923,092
Governmental activities capital assets, net	$ 12,415,958	$ (618,980)	$ -	$ -	$ 11,796,978

Deprectiation expense was charged to the functions/programs of the City as follows:

Governmental Activities:	
General government	$ 127,723
Public safety	195,309
Public works	292,612
Parks and recreation	254,397
Community development	15,126
Total depreciation expense - governmental activities	$ 885,167

NOTE 5. Capital Assets, Continued

Business Type Activities:	Balance 6/30/2024	Additions	Deletions	Balance 6/30/2025
Capital assets not being depreciated:				
Land	$ 332,087	$ -	$ -	$ 332,087
Construction in Progress	18,373	18,457	-	36,830
Total capital assets, not being depreciated	350,460	18,457	-	368,917
Capital assets being depreciated:				
Buildings	639,096	-	-	639,096
Machinery & equipment	1,748,162	60,743	-	1,808,905
Automobiles and trucks	518,626	189,714	-	708,340
Distribution system	17,723,755	57,816	-	17,781,571
Total capital assets, being depreciated	20,629,639	308,273	-	20,937,912
Less accumulated depreciation for:				
Buildings	(287,372)	(14,644)	-	(302,016)
Machinery & equipment	(846,206)	(57,922)	-	(904,128)
Automobiles and trucks	(364,468)	(44,665)	-	(409,133)
Distribution system	(7,124,575)	(430,766)	-	(7,555,341)
Total accumulated depreciation	(8,622,621)	(547,997)	-	(9,170,618)
Total capital assets, being depreciated, net	12,007,018	(239,724)	-	11,767,294
Business-type activities capital assets, net	$ 12,357,478	$ (221,267)	$ -	$ 12,136,211

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

Business Type Activities:	
Water and Sewer Fund	$ 442,479
Storm Water Fund	105,518
Total depreciation expense - business type activities	$ 547,997

NOTE 6. Long-Term Liabilities

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

	Balance 6/30/2024	Additions	Retirements	Balance 6/30/2025	Current Portion
Governmental Activities:					
Bonds from direct placements:					
Revenue bonds	$ 1,685,000	$ -	(116,300)	$ 1,568,700	$ 119,000
Financed purchases	910,068	-	(99,904)	810,164	103,706
Net pension liability	384,336	79,572	-	463,908	-
Accrued compensated absences *	215,948	38,617	-	254,565	150,000
Governmental activity					
Long-term liabilities	3,195,352	118,189	(216,204)	3,097,337	372,706
Business-type activities:					
Bonds from direct placements:					
USDA - Water and Sewer Revenue Bonds	4,749,122	-	(91,620)	4,657,502	93,237
Net pension liability	128,112	-	26,524	154,636	-
Accrued Compensated Absences *	95,618	24,180		119,798	70,000
Business-type activity					
Long-term liabilities	4,972,852	24,180	(65,096)	4,931,936	163,237
Total long-term liabilities	$ 8,168,204	$ 142,369	$ (281,300)	$ 8,029,273	$ 535,943

* Beginning balance of compensated absences, as adjusted, for the implementation of GASB Statement 101.

NOTE 6. Long-Term Liabilities, Continued

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

Revenue Bonds:	
Bonds from Direct Placements:	
Governmental Activities:	
Sales Tax Revenue Bonds, Series 2015, due in annual principal and interest installments ranging from $27,825 to $28,805, bearing interest at 1.50%, maturing October 1, 2045.	$ 506,700
Sales Tax Revenue Refunding Bonds, Series 2020, due in annual principal payments ranging from $91,000 to $116,000 together with any accrued interest. Interest accrues at the rate of 1.85%, maturing in 2035.	1,062,000
Water and Sewer Fund:	
USDA Water and Sewer Revenue Bonds, Series 2021, due in monthly installments of $14,500 bearing interest at 1.75%, maturing in 2061.	4,657,502
Total Bonds Payable from Direct Placements	$ 6,226,202

NOTE 6. Long-Term Liabilities, Continued

Other long-term liabilities at June 30, 2025 are comprised of the following:

Financed Purchases Payable:	
Governmental Activities:	
Fire Truck lease payable in annual installments of $45,196 through February 2030, at interest of 2.80%.	$ 208,174
Lease/Purchase agreement with Zions Bank for the purchase of a building for the police station. Due in annual installements of $91,007 through July 2033, at interest of 4.43%	601,990
Total Financed Purchases Payable	810,164
Accrued Vacation and Comp Time Payable:	374,363
Net Pension Liability	618,544
Total Long-Term Liabilities	8,029,273
Less Current Portion:	
Governmental-type Activities	(372,706)
Business-type Activities	(163,237)
Net Long-Term Liabilities	$ 7,493,330

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Subscription-based information technology arrangements (SBITAs)

At June 30, 2025, the City had no contracts that met the requirements to be reported as Subscription-based Technology Arrangements.

NOTE 6. Long-Term Liabilities, Continued

The annual requirements to amortize bonds payable from direct placements and financed purchases at June 30, 2025 are as follows:

Fiscal Year Ended June 30	Bonds Payable from Direct Placements					
	Revenue Bonds		Water and Sewer Revenue Bonds		Financed Purchases	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 119,000	$ 26,338	$ 93,237	$ 80,763	$ 103,706	$ 32,497
2027	121,000	24,191	94,882	79,118	107,659	28,545
2028	122,000	22,061	96,343	77,657	111,768	24,435
2029	125,000	19,815	98,255	75,745	116,041	20,162
2030	127,000	17,561	99,988	74,012	120,485	15,718
2031-2035	670,000	52,629	526,827	343,173	79,909	11,097
2036-2040	124,000	17,730	574,834	295,166	83,449	7,557
2041-2045	133,000	7,830	627,564	242,436	87,146	3,861
2046-2050	27,700	420	684,931	185,070	-	-
2051-2055	-	-	747,541	122,459	-	-
2056-2060	-	-	815,864	54,136	-	-
2061-2062	-	-	197,235	2,131		
Total	$ 1,568,700	$ 188,575	$ 4,657,501	$ 1,631,866	$ 810,163	$ 143,872

The city has entered issued several bonds payable under direct placements. Each of these bonds was placed with the State of Utah Community Impact Board (CIB). In the event the city should not make the payments as scheduled in the debt agreements, interest shall begin to accrue at the rate of 18% until the default is cured. In addition, revenues of the city secure each of the bonds. The pledged revenues include B&C road funds and sales tax revenues. The Series 2007 Municipal Building Authority Lease Revenue Bond is also secured by the city owned swimming pool.

NOTE 7. Interfund Transactions and Balances

Interfund transfers for the fiscal year ended June 30, 2025 are as follows:

	Transfers From:			
Transfers To:	General	Impact Fee	Nonmajor Govt. Funds	Total
Capital Projects Fund	$ 275,000	$ 100,772	$ -	$ 375,772
Impact Fee Fund	76,057	-	-	76,057
Water & Sewer Fund	52,060	-	-	52,060
Stormwater Fund	35,860	-	-	35,860
Nonmajor Govt. Funds	565,000	39,015	80,000	684,015
Total Transfers	$ 1,003,977	$ 139,787	$ 80,000	$ 1,223,764

Transfers are used to (1) move revenues from the fund that statute or budget requirements to collect them to the fund that statue or budget requires to expand them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

NOTE 8. Pension Plans

General Information about the Pension Plan

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

Defined Benefit Plans

- Public Employees Noncontributory Retirement System (Noncontributory System);
- Firefighters Retirement System (Firefighters System);
  are multiple employer, cost-sharing retirement systems.
- Public Safety Retirement System (Public Safety System) is a cost-sharing, multiple-employer public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); is a multiple employer cost-sharing public employee retirement system;
- Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system.

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

NOTE 8. Pension Plans, Continued

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

Summary of Benefits by System

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

NOTE 8. Pension Plans, Continued

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

	Tier 1 - DB System			Tier 2 - DB Hybrid System				Tier 2 - 401(k) Option			
	Employee	Employer	ER 401(k)	Tier 2 Fund	Employee	Employer	ER 401(k)	Tier 2 Fund	Employee	Employer	ER 401(k)
Noncontributory System											
15 Local Government	-	16.97	-	111	0.70	15.19	-	211	-	5.19	10.00
Public Safety System Noncontributory											
43 Other Div A 2.5% COLA	-	33.54	-	122	4.73	25.33	-	222	-	11.33	14.00
Firefighters Retirement System											
31 Other Division A	15.05	1.61	-	132	4.73	14.08	-	232	-	0.08	14.00

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

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

System		Employer		Employee
Noncontributory System	$	66,977	$	-
Public Safety System	$	46,096	$	-
Tier 2 Public Employees System	$	174,587	$	8,046
Tier 2 Public Safety and Firefighter	$	186,067	$	49,383
Tier 2 DC Public Employees Plan	$	3,421	$	-
Total Contributions	$	477,148	$	57,429

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.

NOTE 8. Pension Plans, Continued

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

At June 30, 2025, we reported a net pension asset of $22,671 and a net pension liability of $367,575.

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2023	Change (Decrease)
Noncontributory System	$ -	$ 203,110	0.0640500%	0.0587129%	0.0053371%
Public Safety System	-	210,119	0.1357971%	0.1634729%	-0.0276758%
Tier 2 Public Employees System	-	110,194	0.0369481%	0.0348583%	0.0020898%
Tier 2 Public Safety and Firefiighter	-	95,121	0.2103099%	0.1980898%	0.0122201%
	$ -	$ 618,544			

The net pension asset and liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2024 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the System 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 $575,770.

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	$ 248,453	$ 5,757
Changes in assumptions	106,950	1,505
Net difference between projected and actual earnings on pension plan investments	110,754	-
Changes in proportion and differences between contributions and proportional share of contributions	64,560	15,032
Contributions subsequent to the measurement date	232,891	-
	$ 763,608	$ 22,293

NOTE 8. Pension Plans, Continued

$232,891 reported as deferred outflows of resources related to pension results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Deferred Outflows (Inflows) of Resources
2025	$ 171,003
2026	$ 215,006
2027	$ (21,565)
2028	$ 12,014
2029	$ 45,298
Thereafter	$ 86,666

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

For the year ended June 30, 2025, the City recognized pension expense of $186,264.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 121,024	$ -
Changes in assumptions	16,801	-
Net difference between projected and actual earnings on pension plan investments	61,180	-
Changes in proportion and differences between contributions and proportional share of contributions	-	3,644
Contributions subsequent to the measurement date	33,572	-
	$ 232,577	$ 3,644

NOTE 8. Pension Plans, Continued

$33,572 reported as deferred outflows of resources related to pensions resulting from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction to 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	$ 113,809
2026	$ 110,911
2027	$ (24,825)
2028	$ (4,533)
2029	$ -
Thereafter	$ -

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

For the year ended June 30, 2025, the City recognized pension expense of $98,885.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 22,204	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	36,365	-
Changes in proportion and differences between contributions and proportional share of contributions	-	8,555
Contributions subsequent to the measurement date	14,447	-
	$ 73,016	$ 8,555

NOTE 8. Pension Plans, Continued

$14,447 reported as deferred outflows of resources related to pensions results from contributions made by the City prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year Ended December 31	Deferred Outflows (Inflows) of Resources
2025	$ 15,844
2026	$ 51,618
2027	$ (14,771)
2028	$ (2,678)
2029	$ -
Thereafter	$ -

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

For the year ended June 30, 2025, the City recognized pension expense of $17,415.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportional share of contributions	37,036	461
Contributions subsequent to the measurement date	-	-
	$ 37,036	$ 461

$0 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

NOTE 8. Pension Plans, Continued

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	$ 17,615
2026	$ 15,870
2027	$ 3,089
2028	$ -
2029	$ -
Thereafter	$ -

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

For the year ended June 30, 2025, the City recognized pension expense of $120,441.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 47,638	$ 759
Changes in assumptions	36,803	11
Net difference between projected and actual earnings on pension plan investments	7,043	-
Changes in proportion and differences between contributions and proportional share of contributions	18,119	1,629
Contributions subsequent to the measurement date	89,862	-
	$ 199,465	$ 2,399

NOTE 8. Pension Plans, Continued

$86,862 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year Ended December 31	Deferred Outflows (Inflows) of Resources
2025	$ 12,793
2026	$ 19,725
2027	$ 8,604
2028	$ 10,551
2029	$ 24,768
Thereafter	$ 30,764

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

For the year ended June 30, 2025, the City recognized pension expense of $137,598.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 57,588	$ 4,998
Changes in assumptions	53,345	1,494
Net difference between projected and actual earnings on pension plan investments	6,165	-
Changes in proportion and differences between contributions and proportional share of contributions	9,405	743
Contributions subsequent to the measurement date	95,009	-
	$ 221,512	$ 7,235

NOTE 8. Pension Plans, Continued

$95,009 reported as deferred outflows of resources related to pensions results from contributions made by the City prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year Ended December 31	Deferred Outflows (Inflows) of Resources
2025	$ 10,943
2026	$ 16,882
2027	$ 6,338
2028	$ 8,674
2029	$ 20,530
Thereafter	$ 55,902

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 80% of the ultimate rates from the MP-2020 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2024, valuation were based on an experience study for the period ending December 31, 2022.

NOTE 8. Pension Plans, Continued

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

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long Term Expected Portfolio Real Rate of Return
Equity securities	35.00 %	7.01 %	2.45 %
Debt securities	20.00 %	2.54 %	0.51 %
Real assets	18.00 %	5.45 %	0.98 %
Private equity	12.00 %	10.05 %	1.21 %
Absolute return	15.00 %	4.36 %	0.65 %
Cash and cash equivalents	- %	0.49 %	- %
Totals	100.00 %		5.80 %
Inflation			2.50 %
Expected arithmetic nominal return			8.30 %

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

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.

NOTE 8. 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 1 percentage point lower (5.85 percent) or 1 percentage point higher (7.85 percent) than the current rate:

System	1% Decrease or 5.85%	Discount Rate of 6.85%	1% Increase or 7.85%
Noncontributory System	$ 858,989	203,110	(346,960)
Public Safety System	$ 645,516	210,119	(145,158)
Tier 2 Public Employees System	$ 329,122	110,194	(60,111)
Tier 2 Public Safety and Firefighter	$ 324,353	95,121	(88,154)
Total	$ 2,157,980	618,544	(640,383)

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.

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

401(k) Plan, 457(b) Plan, and Roth IRS Plan

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

401(k) Plan	2025	2024	2023	2022	2021	2020	2019	2018	2017
Employer Contributions	$ 19,494	$ 19,395	$ 18,091	$ 20,447	$ 21,762	$ 21,386	$ 17,951	$ 20,279	$ 9,649
Employee Contributions	$ 61,871	$ 47,163	$ 33,755	$ 19,429	$ 23,660	$ 18,645	$ 13,030	$ 18,480	$ 7,530
457 Plan									
Employer Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employee Contributions	$ 3,165	$ 7,975	$ 4,440	$ 700	$ -	$ -	$ -	$ -	$ -
Roth IRA Plan									
Employer Contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Employee Contributions	$ 17,480	$ 14,740	$ 4,830	$ 720	$ -	$ -	$ -	$ 5,403	$ 2,760

NOTE 9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or City-wide activities being accounted for in the general fund.

The City maintains insurance for general liability, auto liability, and employee dishonesty through Utah Local Government's Insurance Trust and Fred A. Moreton and Company. Worker's compensation coverage is carried through the State Worker's Compensation Fund.

NOTE 10. Solid Waste and Disposal Contract

The City has a solid waste collection and disposal contract with Kane County Special Service District (the District). The contract provides for the collection and disposal of residential and commercial solid waste within the City. In connection with the agreement, the City is responsible for the monthly billing, collection, and payment of residential collections to the District. The fees are accounted for in the General Fund; however, only the City's portion of the net fees are reported in the financial statement.

NOTE 11. Contract with Kane County Water Conservancy District

The City has entered into a contract with the Kane County Water Conservancy District related to the construction of a waterline. Beginning in fiscal year 2012, the City has agreed to pay the Conservancy District $50,000 per year for 30 years. At the end of the thirty year term title to the waterline will be conveyed to the City. Until the City has made the final payment title to the waterline will remain with the Conservancy District. All debt associated with the construction of the waterline was issued by the Conservancy District. Since the City has not issued any debt related to this project and they do not yet have title to the asset, the City has not recorded a capital asset or any debt related to this project. The City is responsible for maintaining and repairing the waterline. Any subsequent improvements made will be owned by the City.

NOTE 12. Contingencies and Commitments

The City is involved with various matters of litigation from year to year. There is one pending case in which the City could be potentially liable for an amount that is not yet determinable, but the amount could potentially be material to the financial statements. It is the opinion of City officials that other cases will either be handled by the City's insurance coverage or that they will not have a material effect on the City's financial condition.

NOTE 13. Accounting Changes and Error Corrections

In prior periods, the City had not accrued receivables related to certain tax revenues. To correct this item, the City posted an adjustment which increased beginning fund balance in the General Fund by $678,391. Beginning net position of the governmental activities on the government-wide statements were increased by the same amount.

During fiscal year 2025, the City implemented the provisions of GASB Statement No. 101, *Compensated Absences.* The implementation of this standard resulted in an adjustment to the beginning net position of the governmental activities and business-type activities of $72,571 and $31,423, respectively.

	Net position /fund balance at June 30, 2024, as previously reported	Change in accounting principle - GASB 101	Error correction - Intergovernmental receivables	Net position /fund balance at July 1, 2024, as restated
Government-wide				
Governmental activities	$ 16,079,599	$ (72,571)	$ 678,391	$ 16,685,419
Business-type activities	15,821,727	(31,423)	-	15,790,304
Total primary government	$ 31,901,326	$ (103,994)	$ 678,391	$ 32,475,723
Governmental funds				
Major funds				
General fund	$ 1,439,825	$ -	$ 678,391	$ 2,118,216
Total governmental funds	$ 1,439,825	$ -	$ 678,391	$ 2,118,216
Proprietary funds				
Major funds				
Water and Sewer	$ 11,102,115	$ -	$ (31,423)	$ 11,070,692
Total proprietary funds	$ 11,102,115	$ -	$ (31,423)	$ 11,070,692

REQUIRED SUPPLEMENTARY INFORMATION

KANAB CITY, UTAH
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	$ 1,000,000	$ 960,000	$ 988,816	$ 28,816
Fees in lieu of property taxes	1,650,000	56,000	61,319	5,319
Sales and use taxes	1,995,500	3,585,500	3,476,419	(109,081)
Franchise taxes	42,000	42,000	41,107	(893)
Licenses, permits and fees	351,500	436,000	605,780	169,780
Intergovernmental revenue	465,000	54,250	639,387	585,137
Sanitation service revenue	18,000	20,000	22,285	2,285
Fines and forfeitures	40,000	60,000	62,047	2,047
Donations and other revenues	796,500	814,500	833,576	19,076
Charges for services	4,500	4,500	5,625	1,125
Investment earnings	250,000	500,000	498,139	(1,861)
Total revenues	6,613,000	6,532,750	7,234,500	701,750
Expenditures				
Current:				
General government	722,000	768,000	707,099	60,901
Public safety	3,336,500	3,513,000	3,335,162	177,838
Public works	1,304,000	611,500	511,178	100,322
Parks and recreation	1,024,700	1,091,700	1,004,944	86,756
Community development	80,000	80,000	44,961	35,039
Total expenditures	6,467,200	6,064,200	5,603,344	460,856
Excess (deficiency) of revenues over (under) expenditures	145,801	468,550	1,631,156	1,162,606
Other Financing Sources (Uses)				
Transfers in	25,000	20,000	-	(20,000)
Transfers out	(450,000)	(1,005,000)	(1,003,977)	1,023
Total other financing sources and uses	(425,000)	(985,000)	(1,003,977)	(18,977)
Net change in fund balances	(279,199)	(516,450)	627,179	1,143,629
Fund balance, beginning of year, as previously stated	1,439,825	1,439,825	1,439,825	-
Prior period adjustment	678,391	678,391	678,391	-
Fund balance, beginning of year, as restated	2,118,216	2,118,216	2,118,216	-
Fund balance, end of year	$ 1,160,626	$ 923,375	$ 2,745,395	$ 1,143,629

KANAB CITY, UTAH
Schedule of the Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years

	As of fiscal year ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Noncontributory System	2016	0.0549982%	311,207	466,032	66.78%	87.80%
	2017	0.0506736%	325,387	404,685	80.41%	87.30%
	2018	0.0505070%	221,286	375,749	58.89%	91.90%
	2019	0.0488839%	359,634	343,361	104.74%	87.00%
	2020	0.0462366%	174,260	268,114	64.99%	93.70%
	2021	0.0448562%	23,009	235,769	9.76%	99.20%
	2022	0.0468219%	(268,154)	226,560	-118.36%	108.70%
	2023	0.0568369%	97,347	327,641	29.71%	97.50%
	2024	0.0587129%	136,188	351,666	38.73%	96.90%
	2025	0.0640500%	203,110	383,892	52.91%	96.02%
Public Safety System	2016	0.1567939%	280,857	237,023	118.49%	87.10%
	2017	0.1601547%	324,998	245,615	132.32%	86.50%
	2018	0.1619829%	254,096	295,653	85.94%	90.20%
	2019	0.1564540%	402,491	321,192	125.31%	84.70%
	2020	0.1634505%	262,439	340,856	76.99%	90.90%
	2021	0.1433854%	119,044	303,395	39.24%	95.50%
	2022	0.1582140%	(128,492)	326,354	-39.37%	104.20%
	2023	0.1658458%	214,451	368,939	58.13%	93.60%
	2024	0.1634729%	233,793	385,231	60.69%	93.44%
	2025	0.1357971%	210,119	316840	66.32%	93.30%
Firefighters System	2016	0.2128539%	(3,855)	57,276	-6.73%	101.00%
	2017	0.2034758%	(1,604)	57,157	-2.81%	100.40%
	2018	0.2015288%	(12,587)	58,959	-21.35%	103.00%
	2019	0.2022597%	26,263	62,565	41.98%	94.30%
	2020	0.2035297%	(25,242)	65,166	-38.73%	105.00%
	2021	0.2442196%	(68,289)	79,675	-85.71%	110.50%
	2022	0.2330819%	(135,937)	77,708	-174.93%	120.10%
	2023	0.0872966%	(22,671)	27,824	-81.48%	108.40%
	2024	0.0000000%	-	-	0.00%	0.00%
	2025	0.0000000%	-	-	0.00%	0.00%
Tier 2 Public Employees System	2016	0.0124891%	(27)	80,712	-0.03%	100.20%
	2017	0.0238077%	2,656	195,237	1.36%	95.10%
	2018	0.0296455%	2,614	289,915	0.90%	97.40%
	2019	0.0308330%	13,205	360,034	3.67%	90.80%
	2020	0.0378240%	8,507	525,613	1.62%	96.50%
	2021	0.0361210%	5,195	577,371	0.90%	98.30%
	2022	0.0377022%	(15,957)	699,694	-2.28%	103.80%
	2023	0.0370194%	40,310	806,774	5.00%	92.30%
	2024	0.0348583%	67,847	901,206	7.53%	89.58%
	2025	0.0369481%	110,194	1,094,586	10.07%	87.44%
Tier 2 Public Safety and Firefighters Retirement System	2016	0.0000000%	-	-	0.00%	0.00%
	2017	0.0000000%	-	-	0.00%	0.00%
	2018	0.0000000%	-	-	0.00%	0.00%
	2019	0.0257228%	645	34,358	1.88%	95.60%
	2020	0.0395648%	3,722	65,179	5.71%	89.60%
	2021	0.0708230%	6,352	139,328	4.56%	93.10%
	2022	0.1178347%	(5,956)	281,787	-2.11%	102.80%
	2023	0.1854007%	15,467	570,437	2.71%	96.40%
	2024	0.1980898%	74,619	750,567	9.94%	89.10%
	2025	0.2103099%	95,121	960,007	9.91%	90.10%

Note: The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

KANAB CITY, UTAH
Schedule of Contributions
Last 10 Fiscal Years

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll **
Noncontributory System	2016	83,450	83,450	-	471,291	17.71%
	2017	66,762	66,762	-	368,127	18.14%
	2018	69,736	69,736	-	396,388	17.59%
	2019	52,137	52,137	-	292,111	17.85%
	2020	42,899	42,899	-	245,569	17.47%
	2021	45,289	45,289	-	245,203	18.47%
	2022	44,785	44,785	-	242,473	18.47%
	2023	58,098	58,098	-	322,593	18.01%
	2024	68,796	68,796	-	382,837	17.97%
	2025	66,977	66,977	-	394,680	16.97%
Public Safety System	2016	82,372	82,372	-	241,986	34.04%
	2017	84,843	84,843	-	249,245	34.04%
	2018	79,179	79,179	-	319,570	24.78%
	2019	85,218	85,218	-	346,790	24.57%
	2020	76,071	76,071	-	333,137	22.83%
	2021	74,734	74,734	-	317,326	23.55%
	2022	78,991	78,991	-	335,194	23.57%
	2023	88,731	88,731	-	374,984	23.66%
	2024	79,679	79,679	-	367,528	21.68%
	2025	46,096	46,096	-	302,108	15.26%
Firefighters System	2016	2,191	2,191	-	56,312	3.89%
	2017	2,314	2,314	-	58,002	3.99%
	2018	2,355	2,355	-	59,916	3.93%
	2019	2,898	2,898	-	64,083	4.52%
	2020	3,129	3,129	-	67,872	4.61%
	2021	4,012	4,012	-	87,030	4.61%
	2022	2,950	2,950	-	63,994	4.61%
	2023	-	-	-	-	0.00%
	2024	-	-	-	-	0.00%
	2025	-	-	-	-	0.00%
Tier 2 Public Employees System*	2016	18,250	18,250	-	122,401	14.91%
	2017	37,137	37,137	-	249,072	14.91%
	2018	50,685	50,685	-	335,950	15.09%
	2019	67,938	67,938	-	436,289	15.57%
	2020	90,375	90,375	-	599,116	15.08%
	2021	98,778	98,778	-	625,972	15.78%
	2022	114,151	114,151	-	710,336	16.07%
	2023	132,790	132,790	-	829,171	16.01%
	2024	168,038	168,038	-	1,049,582	16.01%
	2025	174,587	174,587	-	1,149,354	15.19%
Tier 2 Public Safety and Firefighter	2016	-	-	-	-	0.00%
System*	2017	-	-	-	-	0.00%
	2018	3,042	3,042	-	13,478	22.57%
	2019	9,740	9,740	-	42,133	23.12%
	2020	18,658	18,658	-	67,807	27.52%
	2021	36,916	36,916	-	179,002	20.62%
	2022	75,115	75,115	-	420,475	17.86%
	2023	104,819	104,819	-	643,458	16.29%
	2024	149,040	149,040	-	884,450	16.85%
	2025	186,067	186,067	-	1,044,047	17.82%
Tier 2 DC Public Employees System*	2022	$ -	$ -	$ -	$ -	0.00%
	2023	1,427	1,427	-	19,209	7.43%
	2024	3,751	3,751	-	60,595	6.19%
	2025	3,421	3,421	-	65,915	5.19%

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

Changes in Assumptions:

No changes were made in the actuarial assumptions from the prior year's valuation.

KANAB CITY, UTAH
SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR GOVERNMENTAL FUNDS:

The **Capital Project Fund** is used to account for the financial resources used to acquire and/or construct major capital assets.

The **Impact Fee Capital Project** is used to account for the collection of impact fees and the expenditure of these fees on public facilities and infrastructure.

KANAB CITY, UTAH
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	$ 40,000	$ 40,000	$ 40,717	$ 717
Total revenues	623,587	623,587	40,717	(582,870)
Expenditures				
Current:				
Parks and recreation	24,368	24,368	24,368	-
Capital outlay	935,632	935,632	24,000	911,632
Total expenditures	960,000	960,000	48,368	911,632
Excess (deficiency) of revenues over (under) expenditures	(336,413)	(336,413)	(7,651)	328,762
Other Financing Sources (Uses)				
Transfers in	425,000	425,000	375,772	(49,228)
Total other financing sources and uses	425,000	425,000	375,772	(49,228)
Net change in fund balances	88,587	88,587	368,121	279,534
Fund balance, beginning of year	1,752,297	1,752,297	1,752,297	-
Fund balance, end of year	$ 1,840,884	$ 1,840,884	$ 2,120,418	$ 279,534

KANAB CITY, UTAH
Impact Fees - Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Impact fees	$ 560,000	$ 560,000	$ 760,780	$ 200,780
Investment earnings	30,000	30,000	75,357	45,357
Total revenues	590,000	590,000	836,137	246,137
Expenditures				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	590,000	590,000	836,137	246,137
Other Financing Sources (Uses)				
Transfers in	-	-	76,057	76,057
Transfers out	(175,000)	(175,000)	(139,787)	35,213
Total other financing sources and uses	(175,000)	(175,000)	(63,730)	111,270
Net change in fund balances	415,000	415,000	772,407	357,407
Fund balance, beginning of year	888,169	888,169	888,169	-
Fund balance (deficit), end of year	$ 1,303,169	$ 1,303,169	$ 1,660,576	$ 357,407

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds and trust funds.

Public Safety Fitness Fund – This fund is used to account for the construction of a Public Safety Fitness Skills Facility.

Jacob Hamblin Park Expansion Fund – This fund was established to account for the Jacob Hamblin park improvement project.

Fire Station Fund – Fund is used to account for the financial resources used to complete the construction and renovation of a City owned Fire Station.

Airport Capital Project Fund – This fund is used to account for the financial resources used to improve and renovate the City owned airport.

Existing Capital Repairs Fund – This fund is used to account for repairs of existing capital facilities.

Heritage House Fund – This fund is used to account for the construction of bathrooms at the heritage house.

Transportation Fund – This fund is used to account for the receipt and use of revenues received for road construction, repair, and maintenance.

Debt Service Funds

Debt Service Fund - is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes.

Recreation Fund – is used to account for the receipt and use of Recreation Tax revenues.

Wildland Fire Fund – This fund is used to account for the receipt and use of revenues received from Wildland Fire activities.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for the purposes that support the reporting government's programs.

Perpetual Care Permanent Fund – This fund is used to account for the principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

KANAB CITY, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Capital Projects				
	Public Safety Fitness	JH Park Expansion	Airport Capital Improvement	Existing Capital Repairs	Heritage House
Assets					
Cash and cash equivalents	$ -	$ -	$ 339,634	$ 138,575	$ -
Receivables	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	$ -	$ -	$ 339,634	$ 138,575	$ -
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ -	$ -	$ 73,060	$ -	$ -
Accrued liabilities	-	-	-	-	-
Total liabilities	-	-	73,060	-	-
Fund Balances					
Nonspendable for:					
Perpetual care	-	-	-	-	-
Restricted for:					
Capital outlay	-	-	266,574	-	-
Committed for:					
Capital outlay	-	-	-	138,575	-
Recreation	-	-	-	-	-
Assigned for:					
Capital outlay	-	-	-	-	-
Debt service	-	-		-	-
Fire Department	-	-		-	-
Total fund balances	-	-	266,574	138,575	-
Total liabilities and fund balances	$ -	$ -	$ 339,634	$ 138,575	$ -

KANAB CITY, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

Capital Projects	Special Revenue		Debt Service (formerly major)	Permanent Fund	
Transportation	Recreation Fund	Wildland Fire	Debt Service Fund	Perpetual Care	Total Nonmajor Governmental Funds
$ 1,216,837	$ 243,816	$ 176,611	$ 115,286	$ 322,870	$ 2,553,629
-	9,365	1,369	-	-	10,734
103,965	17,633	-	-	-	121,598
$ 1,320,802	$ 270,814	$ 177,980	$ 115,286	$ 322,870	$ 2,685,961
$ 2,269	$ 38,455	$ 152	$ -	$ 8,450	$ 122,386
-	22,900	-	-	-	22,900
2,269	61,355	152	-	8,450	145,286
-	-	-	-	314,420	314,420
-	-	-	-	-	266,574
-	-	-	-	-	138,575
-	209,459	-	-	-	209,459
1,318,533	-	-	-	-	1,318,533
-	-	-	115,286	-	115,286
	-	177,828	-		177,828
1,318,533	209,459	177,828	115,286	314,420	2,540,675
$ 1,320,802	$ 270,814	$ 177,980	$ 115,286	$ 322,870	$ 2,685,961

KANAB CITY, UTAH
Combining Statement of Revenues, Expenses, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Capital Projects			
	Public Safety Fitness	JH Park Expansion	Airport Capital Improvement	Existing Capital Repairs
Revenues				
Taxes	$ -	$ -	$ -	$ -
Intergovernmental revenue	-	-	346,842	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Other revenues	-	-	-	-
Total revenues	-	-	346,842	-
Expenditures				
Current:				
Public safety	11,607	-	-	-
Public works	-	-	334,546	-
Parks and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	14,486	-	-
Total expenditures	11,607	14,486	334,546	-
Excess (deficiency) of revenues over (under) expenditures	(11,607)	(14,486)	12,296	-
Other Financing Sources (Uses)				
Transfers in	-	-	20,000	25,000
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	20,000	25,000
Net change in fund balances	(11,607)	(14,486)	32,296	25,000
Fund balances, beginning of year as previously reported	11,607	14,486	234,278	113,575
Adjustment - major to non-major	-	-	-	-
Fund balances - beginning of year, as adjusted	11,607	14,486	234,278	113,575
Fund balances, end of year	$ -	$ -	$ 266,574	$ 138,575

KANAB CITY, UTAH
Combining Statement of Revenues, Expenses, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

Capital Projects		Special Revenue		Debt Service (formerly major)	Permanent Fund	
Heritage House	Transportation	Recreation Fund	Wildland Fire	Debt Service Fund	Perpetual Care	Total Nonmajor Governmental Funds
$ -	$ -	$ 375,000	$ -	$ -	$ -	$ 375,000
-	687,112	186,362	-	-	-	1,220,316
-	-	145,605	20,624	-	8,000	174,229
-	-	984	7,192	-	12,397	20,573
-	-	30,000	-	-	-	30,000
-	687,112	737,951	27,816	-	20,397	1,820,118
-	-	-	17,706	-	-	29,313
-	691,831	-	-	-	-	1,026,377
-	-	583,118	-	-	-	583,118
-	-	-	38,295	177,609	-	215,904
-	-	-	6,901	58,721	-	65,622
456	-	119,163	-	-	-	134,105
456	691,831	702,281	62,902	236,330	-	2,054,439
(456)	(4,719)	35,670	(35,086)	(236,330)	20,397	(234,321)
-	300,000	89,015	-	250,000	-	684,015
-	-	(80,000)	-	-	-	(80,000)
-	300,000	9,015	-	250,000	-	604,015
(456)	295,281	44,685	(35,086)	13,670	20,397	369,694
456	1,023,252	164,774	212,914	-	294,023	2,069,365
-	-	-	-	101,616	-	101,616
456	1,023,252	164,774	212,914	101,616	294,023	2,170,981
$ -	$ 1,318,533	$ 209,459	$ 177,828	$ 115,286	$ 314,420	$ 2,540,675

KANAB CITY, UTAH
Public Safety Fitness Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
Expenditures				
Current:				
Public safety	-	11,607	11,607	-
Total expenditures	-	11,607	11,607	-
Excess (deficiency) of revenues over (under) expenditures	-	(11,607)	(11,607)	-
Fund balance, beginning of year	11,607	11,607	11,607	-
Fund balance, end of year	$ 11,607	$ -	$ -	$ -

KANAB CITY, UTAH
Jacob Hamblin Park Expansion Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
Expenditures				
Capital outlay	-	14,486	14,486	-
Total expenditures	-	14,486	14,486	-
Excess (deficiency) of revenues over (under) expenditures	-	(14,486)	(14,486)	-
Fund balance, beginning of year	14,486	14,486	14,486	-
Fund balance, end of year	$ 14,486	$ -	$ -	$ -

KANAB CITY, UTAH
Airport - Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	$ 415,000	$ 330,000	$ 346,842	$ 16,842
Total revenues	415,000	330,000	346,842	16,842
Expenditures				
Current:				
Public works	420,000	500,000	334,546	165,454
Total expenditures	420,000	500,000	334,546	165,454
Excess (deficiency) of revenues over (under) expenditures	(5,000)	(170,000)	12,296	182,296
Other Financing Sources (Uses)				
Transfers in	20,000	20,000	20,000	-
Total other financing sources and uses	20,000	20,000	20,000	-
Net change in fund balances	15,000	(150,000)	32,296	182,296
Fund balance, beginning of year	234,278	234,278	234,278	-
Fund balance (deficit), end of year	$ 249,278	$ 84,278	$ 266,574	$ 182,296

KANAB CITY, UTAH
Existing Capital Repairs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
Expenditures				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers in	25,000	25,000	25,000	-
Total other financing sources and uses	25,000	25,000	25,000	-
Net change in fund balances	25,000	25,000	25,000	-
Fund balance, beginning of year	113,575	113,575	113,575	-
Fund balance, end of year	$ 138,575	$ 138,575	$ 138,575	$ -

KANAB CITY, UTAH
Heritage House Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
Expenditures				
Capital outlay	-	456	456	-
Total expenditures	-	456	456	-
Excess (deficiency) of revenues over (under) expenditures	-	(456)	(456)	-
Fund balance, beginning of year	456	456	456	-
Fund balance, end of year	$ 456	$ -	$ -	$ -

KANAB CITY, UTAH
Transportation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	$ -	$ 690,000	$ 687,112	$ (2,888)
Total revenues	-	690,000	687,112	(2,888)
Expenditures				
Street repairs and maintenance	-	935,000	691,831	243,169
Total expenditures	-	935,000	691,831	243,169
Excess (deficiency) of revenues over (under) expenditures	-	(245,000)	(4,719)	240,281
Other Financing Sources (Uses)				
Transfers in	300,000	300,000	300,000	-
Total other financing sources and uses	300,000	300,000	300,000	-
Net change in fund balances	300,000	55,000	295,281	240,281
Fund balance, beginning of year	1,023,252	1,023,252	1,023,252	-
Fund balance, end of year	$ 1,323,252	$ 1,078,252	$ 1,318,533	$ 240,281

KANAB CITY, UTAH
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
Expenditures				
Current:				
Debt service:				
Principal	201,500	181,000	177,609	3,391
Interest	69,000	69,000	58,721	10,279
Total expenditures	270,500	250,000	236,330	13,670
Excess (deficiency) of revenues over (under) expenditures	(270,500)	(250,000)	(236,330)	13,670
Other Financing Sources (Uses)				
Transfers in	270,500	250,000	250,000	-
Total other financing sources and uses	270,500	250,000	250,000	-
Net change in fund balances	-	-	13,670	13,670
Fund balance, beginning of year	101,616	101,616	101,616	-
Fund balance, end of year	$ 101,616	$ 101,616	$ 115,286	$ 13,670

KANAB CITY, UTAH
Recreation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	$ 375,000	$ 375,000	$ 375,000	$ -
Intergovernmental revenue	195,000	195,000	186,362	(8,638)
Charges for services	151,500	154,250	145,605	(8,645)
Investment earnings	-	-	984	984
Other revenues	30,000	30,000	30,000	-
Total revenues	751,500	754,250	737,951	(16,299)
Expenditures				
Current:				
Parks and recreation	682,000	672,500	583,118	89,382
Capital outlay	125,000	125,000	119,163	5,837
Total expenditures	807,000	797,500	702,281	95,219
Excess (deficiency) of revenues over (under) expenditures	(55,500)	(43,250)	35,670	78,920
Other Financing Sources (Uses)				
Transfers in	-	50,000	89,015	39,015
Transfers out	-	(80,000)	(80,000)	-
Total other financing sources and uses	-	(30,000)	9,015	39,015
Net change in fund balances	(55,500)	(73,250)	44,685	117,935
Fund balance, beginning of year	164,774	164,774	164,774	-
Fund balance, end of year	$ 109,274	$ 91,524	$ 209,459	$ 117,935

KANAB CITY, UTAH
Wildland Fire Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	$ 62,000	$ 25,000	$ 20,624	$ (4,376)
Investment earnings	6,000	6,000	7,192	1,192
Total revenues	68,000	31,000	27,816	(3,184)
Expenditures				
Current:				
Public safety	32,804	39,304	17,706	21,598
Debt service:				
Principal	38,295	38,295	38,295	-
Interest	6,901	6,901	6,901	-
Total expenditures	78,000	84,500	62,902	21,598
Excess (deficiency) of revenues over (under) expenditures	(10,000)	(53,500)	(35,086)	18,414
Fund balance, beginning of year	212,914	212,914	212,914	-
Fund balance, end of year	$ 202,914	$ 159,414	$ 177,828	$ 18,414

KANAB CITY, UTAH
Perpetual Care Permanent Fund
Schedule of Revenues, Expenses, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	$ 13,000	$ 11,000	$ 8,000	$ (3,000)
Investment earnings	12,000	12,000	12,397	397
Total revenues	25,000	23,000	20,397	(2,603)
Expenditures				
Capital outlay	250,000	50,000	-	50,000
Total expenditures	250,000	50,000	-	50,000
Excess (deficiency) of revenues over (under) expenditures	(225,000)	(27,000)	20,397	47,397
Fund balance, beginning of year	294,023	294,023	294,023	-
Fund balance, end of year	$ 69,023	$ 267,023	$ 314,420	$ 47,397

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SUPPLEMENTARY INFORMATION

BOND DISCLOSURES

KANAB CITY, UTAH
Bond Disclosures
June 30, 2025

The Water and Sewer System Revenue Bond Resolutions set forth certain covenants and restrictions. The City of Kanab is in compliance with all covenants and restrictions for the Water and Sewer Bonds.

Additional disclosures required by the Resolutions are:

		Water	Sewer
a.	Number of water and sewer connections within the boundaries of the City at June 30, 2025	2,616	1,548
b.	Total water and sewer billings for fiscal year ended June 30, 2025	$ 1,887,213	$ 532,856
c.	Average monthly billing per customer	$ 57.77	$ 29.08

d. Net water and sewer revenues were 12.89 times the aggregate water and sewer fund debt service for fiscal year ended June 30, 2025.

e. Water rates for fiscal year ended June 30, 2025 are as follows:

Monthly base rate for 0 to 7,000 gallons	$ 40.00
Per 1,000 gallons over 7,000 per month	
7,001 - 10,000	$ 1.20
10,001 - 15,000	$ 1.30
15,001 - 20,000	$ 1.55
20,001 - 25,000	$ 1.60
25,001 - 30,000	$ 1.65
30,001 - 35,000	$ 1.70
35,001 - 40,000	$ 1.75
40,001 - 45,000	$ 1.80
45,001 - 50,000	$ 1.85
50,001 - 55,000	$ 2.00
55,001 - 60,000	$ 2.05
60,001 +	$ 2.25

f. Reserve funds - see financial statements page 16 and 20.

g. Insurance coverage in effect at June 30, 2025:

Type	Policy Number	Expires	Limits
Coverage with Affiliated Ins. through Fred A. Moreton & Company:			
Blanket Property	1104124	7/1/2025	$ 13,976,300
Coverage with WCF National Insurance through Fred A. Moreton & Company:			
Off-Duty Vehicle	3600001	7/1/2025	$ 1,000,000
	3600001	7/1/2025	$ 2,230,000
	3600002	7/1/2025	$ 2,700,000
Coverage with Commerce and Industry through Fred A. Moreton & Company:			
Airport Liability	PR00277802	12/9/2025	$ 10,000,000
Coverage with Cincinnati Insurance through Fred A. Moreton & Company:			
Treasurer's Bond	0335683	12/9/2025	$ 315,000
Treasurer's Bond	CBE1025897	2/1/2026	$ 500,000
Coverage with Travelers Insurance through Fred A. Moreton & Company:			
Mayor and Treasurer's Bond	105574596	3/1/2027	$ 630,000
Employee Dishonesty	106831583	12/9/2025	$ 100,000
Pres. and Sec. Bond (Kanab Municipal Building Authority)	105609824	04/26/25	$ 330,000
Coverage with WCF through Fred A. Moreton & Company:			
Workers Comp & Employee Liability	1638158	12/1/2025	$ 1,000,000

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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HINTON BURDICK
CPAs & ADVISORS

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*

The Honorable Mayor and
Members of the City Council
Kanab, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kanab City, Utah, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Kanab City, Utah's basic financial statements and have issued our report thereon dated October 27, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kanab City's internal control over financial reporting (internal control) to determine the audit 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 Kanab City's internal control. Accordingly, we do not express an opinion on the effectiveness of Kanab City's internal control.

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

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

2007-001. Controls Over Accounting and Reconciliations

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kanab City, Utah'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standard* and which is described in the accompanying letter of finding and recommendations as item 2025-001.

Kanab City, Utah's Responses to Findings

Kanab City's responses to the findings identified in our audit are described in the Management's Response to the Findings as listed in the table of contents. Kanab City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

HintonBurdick, PLLC
HintonBurdick, PLLC
St. George, UT
October 27, 2025

HINTON BURDICK
CPAs & ADVISORS

Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance As Required by the *State Compliance Audit Guide*

The Honorable Mayor and
Members of the City Council
City of Kanab, Utah

Report On Compliance with General State Compliance Requirements

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

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

Budgetary Compliance
Fund Balance
Restricted Taxes and Other Related Restricted Revenue
Fraud Risk Assessment
Governmental Fees
Cash Management
Enterprise Fund Transfers, Reimbursements, Loans, and Services
Impact Fees
Open and Public Meetings Act

Opinion on Compliance

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

Basis for Opinion

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

We are required to be independent of Kanab City, Utah 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 Kanab City Utah'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 Kanab City, Utah's government programs.

Auditor's Responsibility 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 Kanab City, Utah'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 Kanab City, Utah'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 Kanab City, Utah'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 Kanab City, Utah'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 Kanab City, Utah's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guide and which are described in the accompanying schedule of findings and recommendations as item 2025-001. Our opinion on compliance is not modified with respect to this matter.

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

Report On Internal Control over Compliance

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

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

HintonBurdick, PLLC
HintonBurdick, PLLC
St. George, UT
October 27, 2025

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HINTON BURDICK
CPAs & ADVISORS

Schedule of Findings and Recommendations
For the Year Ended June 30, 2025

The Honorable Mayor and
City Council
Kanab, Utah

Ladies & Gentlemen:

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit of the funds of Kanab City for the fiscal year ended June 30, 2025, we noted an item, that if improved, would strengthen the City's accounting system, and control over its assets. This item is discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses:

None noted

Significant Deficiencies:

2007-001. Controls over Accounting and Reconciliations

Criteria: Auditing standards indicate that the identification by the auditor of misstatements in the financial statements may be a deficiency in the City's internal controls.

Condition: Audit procedures identified various journal entries that were necessary to make accruals and other miscellaneous adjustments that were not initially identified by the City's internal controls. Furthermore, we noted reconciliations for some general ledger accounts are not being performed which is contributing to the misstatements.

Cause: Procedures for year-end adjustments and periodic account reconciliations may need to be revised or improved in order to properly identify certain adjustments.

Effect: The City's financial statements would not have been fairly stated in all material respects without the adjustments.

Recommendation: We recommend that management review and understand the adjustments proposed by the auditor and develop a plan to ensure that all significant adjustments are posted to the general ledger before the annual audit takes place. We recommend that the City continue its efforts to perform monthly reconciliations of subsidiary ledgers to the general ledger and that differences be investigated and adjusted. The City should continue to improve its internal controls to a level where they will at least identify material misstatements.

COMPLIANCE AND OTHER MATTERS:

2025-001. Fraud Risk Assessment

Criteria: The city is required to prepare and submit to the State Auditor an annual Fraud Risk Assessment. This report is also required to be presented in a City Council meeting.

Condition: While the annual Fraud Risk Assessment report was prepared and submitted to the State Auditor, we could not locate evidence that it was presented in a City Council Meeting.

Cause: It appears city management may not have been aware of this requirement.

Effect: The city is not in compliance with the requirement to present the annual Fraud Risk Assessment in a City Council meeting.

Recommendation: We recommend that management implement procedures to ensure the Fraud Risk Assessment is presented annually in a City Council meeting.

The City of Kanab, Utah's written response to the finding identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This letter is intended solely for the use of the Mayor, City Council and management and is not intended to be used and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,

HintonBurdick, PLLC
HintonBurdick, PLLC
October 27, 2025

Mayor
Colten Johnson
City Council
Arlon Chamberlain
Scott Colson
Chris Heaton
Boyd Corry
Peter Banks

KANAB
UTAH

City Manager
Kyler Ludwig
City Attorney
Kent Burggraaf
City Recorder
Celeste Cram
City Treasurer
Danielle Ramsay

Management's Responses to the Auditor's Findings
For the Fiscal Year Ended June 30, 2025

Office of the Utah State Auditor
P.O. Box 142310
Salt Lake City, UT 84114

To Whom It May Concern:

This letter is in response to the findings and recommendations made by our independent auditor, HintonBurdick CPAs & Advisors, for the audit of Kanab City, UT for the year ended June 30, 2025.

2007-001 – Controls over Accounting and Reconciliations

Management Response: Management concurs with the auditor's findings. The need for year-end adjustments highlights areas for improvement in Kanab City's internal financial procedures. The City will continue strengthening standard operating procedures to help staff more accurately perform required year-end adjustments.

2025-001 – Fraud Risk Assessment

Management Response: Management acknowledges the noncompliance noted by the auditors. To ensure the Fraud Risk Assessment is completed and presented annually, the City will add the item to the January council calendar and include it in our year-end financial compliance checklist. These steps will ensure the governing body reviews and accepts the Fraud Risk Assessment within the required timeframe.

Sincerely,

Kyler Ludwig
City Manager