

VERNAL CITY CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and members of the City Council
Vernal City Corporation
Vernal, Utah 84078

Report on the Audit of the Financial Statements

Opinions

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

We did not audit the financial statements supporting the City's investment in a joint venture, Ashley Valley Sewer Management Board, stated at \$7,870,082 on June 30, 2025, or its equity in the gain of that entity of \$198,393, which is included in net income for the year then ended as described in Note 16 to the financial statements. Those statements were audited by other auditors whose report has been furnished to us and in our opinion, insofar as it relates to the amounts included for Ashley Valley Sewer Management Board, is based solely on the report of other auditors.

In our opinion, the financial statements referred to above 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 Vernal City Corporation 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 Vernal City Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Vernal City Corporation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Vernal City Corporation'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 Vernal City Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and other required supplementary information on pages 4-19 and 76-81 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 Vernal City Corporation's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2026, on our consideration of Vernal City Corporation'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 Vernal City Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vernal City Corporation's internal control over financial reporting and compliance.

SMUIN, RICH & MARSING



Price, Utah

February 27, 2026

**VERNAL CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

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

Financial Highlights

- ❖ The assets of Vernal City exceeded its liabilities at the close of the most recent fiscal year by \$71,485,927 (*net position*). Of this amount, \$13,746,319 (*unrestricted net position*) may be used to meet both Governmental and Utility type obligations to citizens and creditors.
- ❖ The government's total net position increased by \$3,052,209 in the current fiscal year, compared to a net increase of \$5,460,482 in the prior year.
- ❖ As of the close of the current fiscal year, Vernal City's governmental activities reported combined ending net position of \$46,731,046 an increase of \$1,382,746 in comparison with the prior year. Of this total amount the unrestricted net position balance is \$12,166,275 which indicates *available funds for spending* at the government's discretion (*unrestricted net position*).
- ❖ At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,551,316 or 38.86% of total general fund revenues and financial uses. General Fund Total balance is \$5,965,631 or 41.76% of total general fund revenue.
- ❖ Sales Taxes decreased by \$74,903 or a negative 1.08%. The City pays close attention to the Economy and its revenue streams.
- ❖ Vernal City's total debt payment was \$807,000 during the current fiscal year.

Overview of the Financial Statements

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

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

- ❖ The *statement of net position* presents information on all of Vernal City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Vernal City is improving or deteriorating.

Overview of the Financial Statements (continued)

- ❖ The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Vernal City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Vernal City include general government, public safety, public works, parks and recreation. The business-type activities of Vernal City include the Water, Sewer and Solid Waste Utility Fund and a Golf Course fund.

The government-wide financial statements include Vernal City itself (known as the *primary government*). The Municipal Building Authority, although also legally separate, functions for all practical purposes as a department of Vernal City, and therefore has been included as an integral part of the primary government and is included in the governmental activities of Vernal City.

The government-wide financial statements can be found on pages 20-22 of this report.

Fund Financial Statements:

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

❖ *Governmental funds.*

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

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

Fund Financial Statements (continued)

- Vernal City maintains many individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the CRA Downtown Improvement fund, Airport fund and Capital Projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.
- Vernal City adopts an annual appropriated budget for its general fund and all funds. A budgetary comparison statement has been provided for the general fund and the Airport fund (a major special revenue fund) to demonstrate compliance with these budgets.
- The basic governmental fund financial statements can be found on pages 23-26 of this report.

❖ *Proprietary funds.*

- Vernal City maintains one type of proprietary fund called an enterprise fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government wide financial statements.
- Vernal City uses enterprise funds to account for its Water, Sewer and Solid Waste distribution and collection operation, and for its golf course, which accounts for government buildings and other assets within Vernal City.
- Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Solid Waste operations, which are considered to be major funds of Vernal City.
- The basic proprietary fund financial statements can be found on pages 27-31 of this report.

Vernal City as Trustee

Vernal City is a trustee—it is responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. All of Vernal City’s fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 32 and 33. We exclude these activities from Vernal City’s other financial statements because Vernal City cannot use these assets to finance its operations. Vernal City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-76 of this report.

Other information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 82-90 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Vernal City, assets exceeded liabilities by \$71,485,927 at the close of the most recent fiscal year.

By far the largest portion of Vernal City's net assets 65% reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. Vernal City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Vernal City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Vernal City's net position, 14%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, 19.1%, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Vernal City reported positive balances in all categories of net position.

The government's net position increased \$3,052,209 during the current fiscal year. Governmental change in net position increased \$1,382,746. Business-type activities increased \$1,669,463. Capital investments increased and the City Council commenced on projects to further strengthen the infrastructure of Vernal City.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>
Current assets	\$ 23,883,946	\$ 15,412,573	\$ 5,683,481	\$ 17,176,343	\$ 29,567,427	\$ 32,588,916
Capital assets	34,540,520	43,022,178	22,753,367	22,115,998	57,293,887	65,138,176
Deferred outflows of res.	1,455,090	1,411,118	110,513	111,402	1,565,603	1,522,520
Total assets	<u>\$ 59,879,556</u>	<u>\$ 59,845,869</u>	<u>\$ 28,547,361</u>	<u>\$ 39,403,743</u>	<u>\$ 88,426,917</u>	<u>\$ 99,249,612</u>
Current liabilities	\$ 2,831,620	\$ 1,325,614	\$ 469,107	\$ 5,912,274	\$ 3,300,727	\$ 7,237,888
LTD outstanding	9,219,958	8,758,562	4,472,490	8,046,490	13,692,448	16,805,052
STD - one year	553,982	867,286	395,000	513,000	948,982	1,380,286
Net pension liability	1,084,931	1,279,785	92,813	113,309	1,177,744	1,393,094
Compensated absences	394,575	420,644	31,378	62,198	425,953	482,842
Deferred inflows of res.	446,190	462,932	1,155	1,591	447,345	464,523
Total liabilities	<u>\$ 14,531,256</u>	<u>\$ 13,114,823</u>	<u>\$ 5,461,943</u>	<u>\$ 14,648,862</u>	<u>\$ 19,993,199</u>	<u>\$ 27,763,685</u>
Net position:						
Invested in capital assets, net of debt	\$ 25,154,520	\$ 34,054,178	\$ 17,885,877	\$ 13,556,508	\$ 43,040,397	\$ 47,610,686
Restricted	531,340	510,593	603,547	9,618,328	1,134,887	10,128,921
Unrestricted	19,662,440	12,166,275	4,595,994	1,580,044	24,258,434	13,746,319
Total net position	<u>\$ 45,348,300</u>	<u>\$ 46,731,046</u>	<u>\$ 23,085,418</u>	<u>\$ 24,754,881</u>	<u>\$ 68,433,718</u>	<u>\$ 71,485,927</u>
Net change:		\$ 1,382,746		\$ 1,669,463		\$ 3,052,209

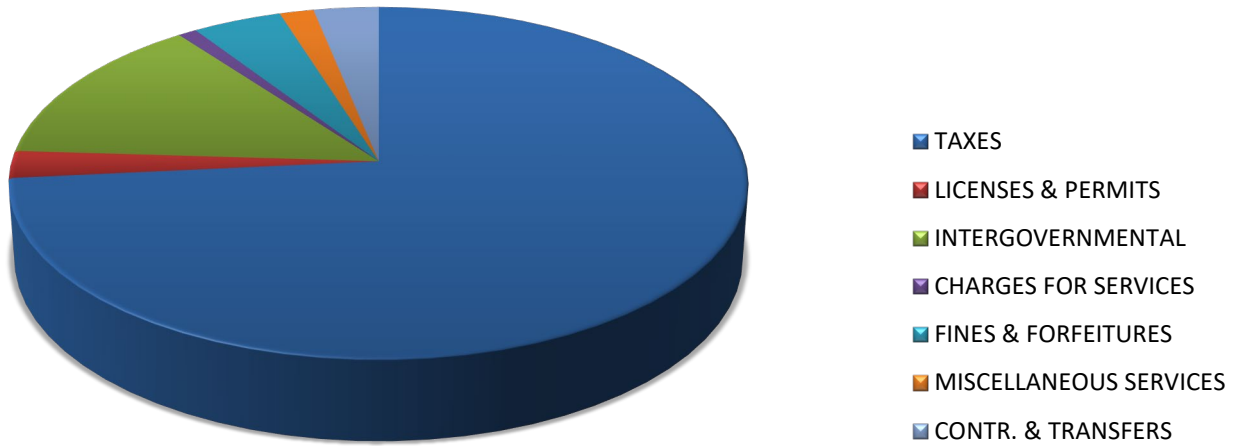
Governmental activities: Governmental activities increased Vernal City's net position and increased business-type activities. Key elements of the Statement of Activities are as follows:

Table 2
Change of Activities

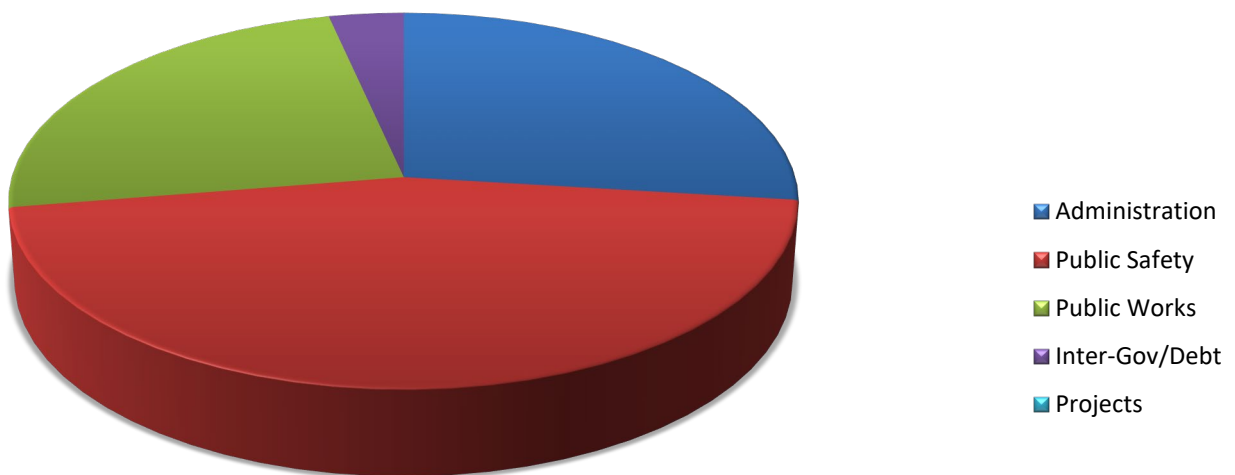
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2025	2024	2025	2024	2025
Revenues						
Program Revenues:						
Charges for services	\$ 1,779,584	\$ 2,076,643	\$ 5,570,462	\$ 5,904,891	\$ 7,350,046	\$ 7,981,534
Operating grants/contributions	6,621,730	12,010,222			6,621,730	12,010,222
Capital grants/contributions	544,897	291,689		120,425	544,897	412,114
General Revenues:						
Property taxes	537,845	506,108			537,845	506,108
Sales and franchise taxes	10,154,341	9,990,410			10,154,341	9,990,410
Unrestricted interest income	1,012,542	581,543	179,700	147,030	1,192,242	728,573
Business-type cost sharing	924,000	3,595			924,000	3,595
CDA sales tax						
Other general revenues	388,270	630,073	14,340	69,009	402,610	699,082
Transfers in (out)						
Joint venture gain (loss)			155,121	198,393	155,121	198,393
Interest expense			(2,887)	(2,325)	(2,887)	(2,325)
Impact fee's			77,875	84,500	77,875	84,500
Total revenues	\$ 21,963,209	\$ 26,090,283	\$ 5,994,611	\$ 6,521,923	\$ 27,957,820	\$ 32,612,206
Program Expenses						
General government	\$ 7,772,624	\$ 14,244,521			\$ 7,772,624	\$ 14,244,521
Public safety	4,576,648	6,398,472			4,576,648	6,398,472
Public works	3,769,716	3,302,164			3,769,716	3,302,164
Community	211,200	180,526			211,200	180,526
Intergovernmental	377,388	332,929			377,388	332,929
Capital outlay		1,633				1,633
Interest on long-term debt	235,166	247,292			235,166	247,292
Utility fund			\$ 5,554,596	\$ 4,852,460	5,554,596	4,852,460
Total expenses	\$ 16,942,742	\$ 24,707,537	\$ 5,554,596	\$ 4,852,460	\$ 22,497,338	\$ 29,559,997
Change in net position	\$ 5,020,467	\$ 1,382,746	\$ 440,015	\$ 1,669,463	\$ 5,460,482	\$ 3,052,209
Net position - beginning	40,327,833	45,348,300	22,645,403	23,085,418	62,973,236	68,433,718
Net position - ending	\$ 45,348,300	\$ 46,731,046	\$ 23,085,418	\$ 24,754,881	\$ 68,433,718	\$ 71,485,927

Below are charts of actual Revenues vs. Expense for General Fund:

General Fund Revenues



General Fund Expenditure



Prior Year Comparison:

- ❖ Sales Tax collected decreased \$74,903.
- ❖ Innkeeper room tax collected increased \$57.
- ❖ Highway Tax decreased \$51,806.
- ❖ Franchise Taxes collected decreased by \$36,631.
- ❖ Building/License permits increased \$20,708.
- ❖ Justice Court fines increased \$64,045.
- ❖ Intergovernmental revenue decreased \$43,667.
- ❖ Capital Purchases were \$9,988,147.
- ❖ Charges for services increased \$35,799.
- ❖ Investment earnings increased \$236,343.
- ❖ Contributions decreased \$922,382.

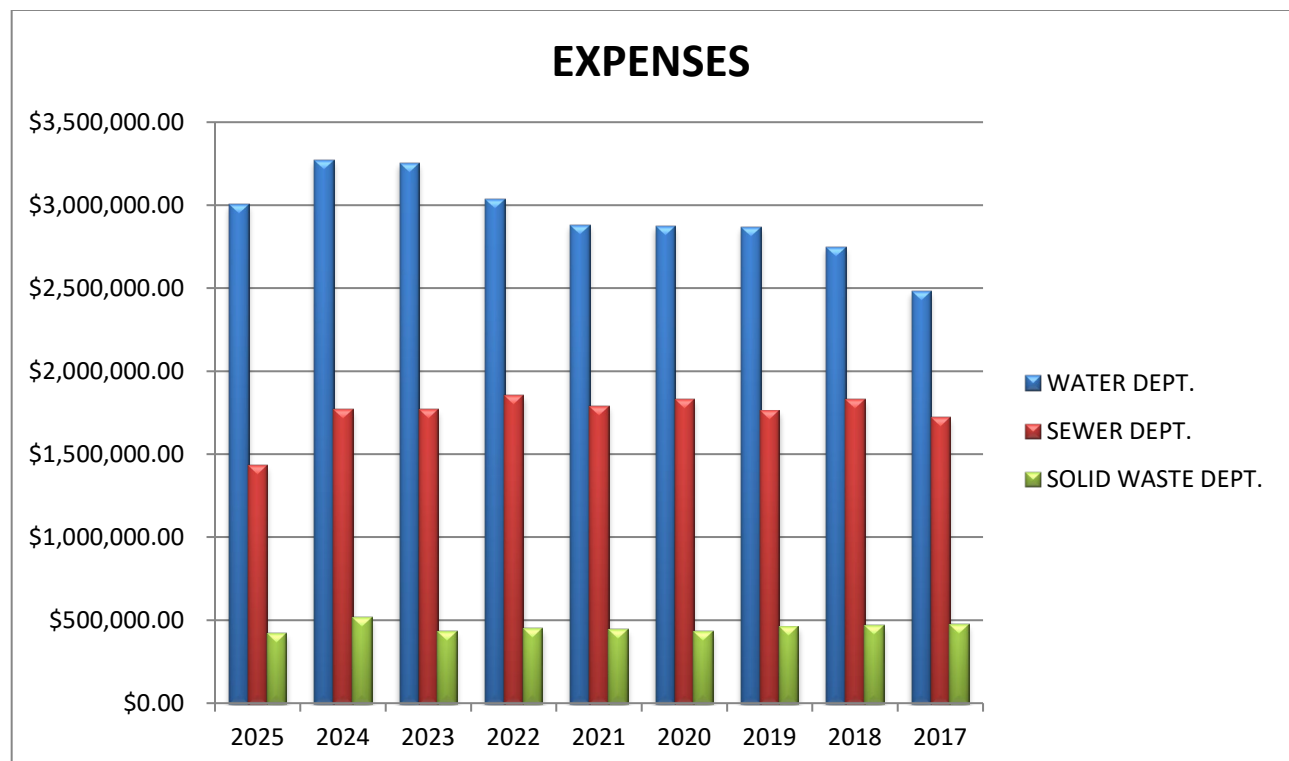
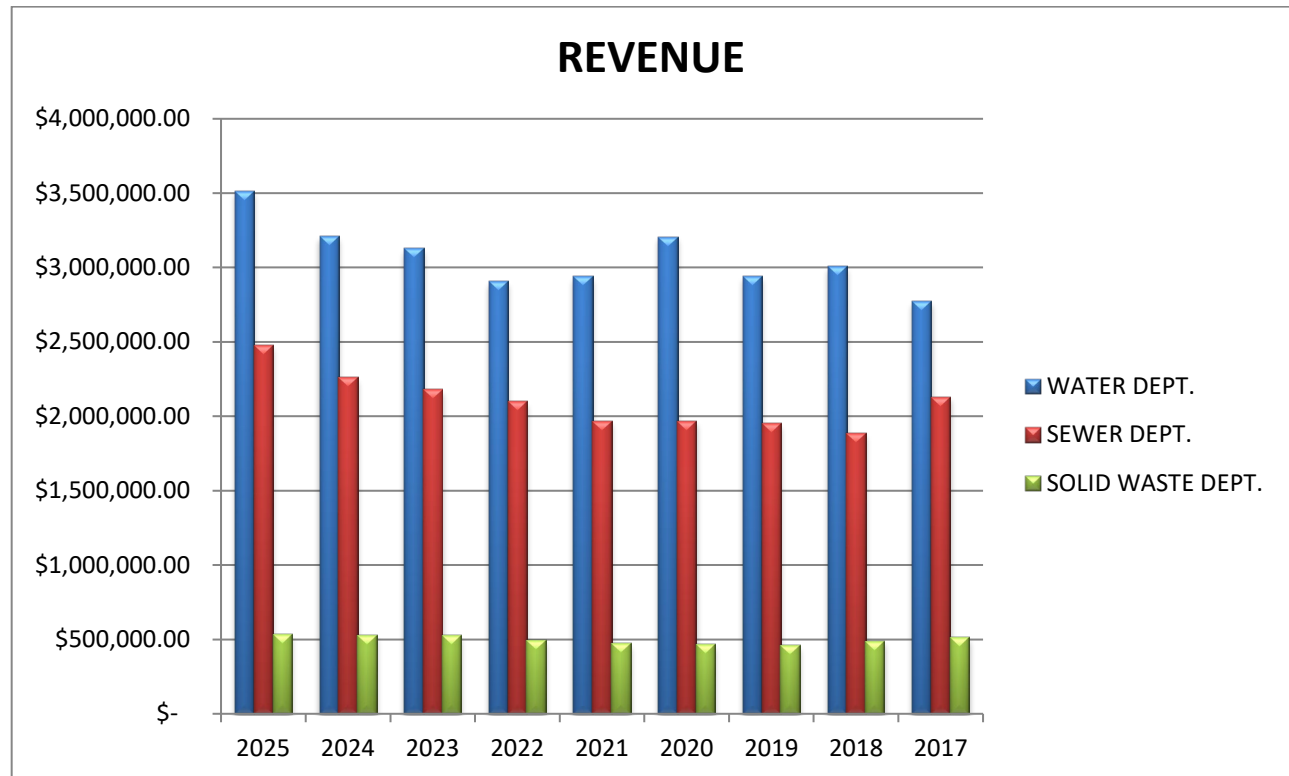
Business-type activities: Business-Type activities are comprised of the Utility Fund and Golf Course (record keeping only). Business-type activities increased Vernal City's net position by \$1,669,463 accounting for 100% of the total growth in the government's net position. Key elements of this increase are as follows:

- ❖ Utility Fund is separated into 3 departments Water, Sewer, and Solid Waste. The following is a breakdown of the increase (decrease) to net profit per department as of net position:

1) Water-	\$ 512,220
2) Sewer-	\$ 1,044,394
3) Solid Waste-	\$ 112,849

- ❖ Utility Fund total revenue increased \$527,312 from the prior year. A large portion of that decrease is interest earnings \$43,327 and from AVSMB which showed a gain of \$198,393 (Vernal's Share). This is an increase from last year of \$43,272. Water residential and commercial water sales were a little higher from the prior year. Sewer residential had a slight increase in sales and solid waste increased. Net water increased (less of a loss), sewer increased, and solid waste decreased compared to the prior year. Expenses decreased by \$1,538,458. Water and solid waste expenses decreased; sewer expenses decreased compared to the prior year.
- ❖ Water sales increased \$182,780. Expenses decreased \$863,664.
- ❖ Water impact fees decreased by \$8,250.
- ❖ Sewer charges increased \$148,023.
- ❖ Sewer impact fees increased by \$14,875.
- ❖ Sewer costs decreased by \$578,521.

Water Charts:



Financial Analysis of the Government's Funds

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

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

- ❖ As of the end of the current fiscal year, Vernal City's governmental funds reported a total fund balance of \$13,711,224. Approximately 40.5% of this total amount, \$5,551,316, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund, or 59.5% of the balance, is designated as *reserved/committed/assigned* to indicate that it is not available for new spending because it has already been committed; (1) Pre-Paid expenditures of \$5,000. (2) to pay for earned but unused compensated absences for City employees of \$1,582,231, (3) special revenue funds of \$1,140,874 (4) debt service funds of \$510,593, and (5) capital projects funds of \$4,921,210.
- ❖ The General fund is the chief operating fund of Vernal City. At the end of the current fiscal year, the unassigned balance of the general fund was \$5,551,316, while total fund revenue reached \$14,286,983. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund Revenues. The unreserved fund balance represents 38.86% of total general fund Revenues.
- ❖ The fund balance of Vernal City's general fund decreased by \$680,159 during the current fiscal year. Key factors are as follows:
 - Total Revenue decreased from the previous year. Total Taxes decreased 1.8%.
 - Sales Tax decreased 1.08% and Street and Highway sales tax decreased 2.87%.
 - Franchise revenue decreased 3.76% compared to the prior year.
 - Revenue was down 6.36% from the final Budget. Total Expenditures for the General Fund were 6% under the final Budget.
 - Use of the prior year's funds was anticipated to be used in the budget process.
 - The total of Other Financing Resources or Transfers decreased significantly. Transfers to other funds decreased \$1,857,770. Money was set aside in some funds and capital purchases increased significantly.
- ❖ The Municipal Building Authority of Vernal City, Utah (the "Issuer's MBA"), was created to acquire projects for the Issuer pursuant to the Utah Municipal Building Authority Act. The Issuer's MBA has no assets, except for those purchased with the lease revenue bonds. The Issuer's MBA debt does not constitute legal debt within the meaning of any constitutional or statutory limitation of the Issuer. The Issuer's MBA entered into an annual lease with the Issuer that may be terminated by the Issuer in any year and lease payments by the Issuer may be made only from funds that are annually budgeted and appropriated by the Issuer for such purposes. The lease revenue bonds of the Issuer's MBA are secured by an assignment of the Issuer's lease payments and a security interest in the projects financed by such bonds.

Proprietary funds: Vernal City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Proprietary Fund is made up of the Utility Fund (Water, Sewer and Solid Waste) and Golf Course.

- ❖ Net position for the Utility Fund is \$24,454,170. The unrestricted fund balance at the end of the year amounted to \$1,580,044, or 6.46% of total net position. This amount is available for use in the Utility fund. The restricted net position of the Utility Fund at the end of the year amounted to \$9,618,328 or 39.33% of total net position. The remainder of the net position \$13,255,797 or 54.21% is invested in capital assets, net of related debt.
- ❖ The total growth in net position for all business-type funds was \$1,669,463. Other factors concerning the finances of these funds have already been addressed in the discussion of Vernal City's business-type activities.

General Fund Budgetary Highlights FY-2025

The difference between the original budget and the final amended budget was changed and can be briefly summarized as follows:

	Budget	Budget	Difference
Taxes	\$ 10,920,500	\$ 10,928,000	\$ (7,500)
Licenses & permits	282,000	296,000	(14,000)
Intergovernmental	1,185,100	1,587,675	(402,575)
Charges for services	117,975	117,975	-
Fines & forfeitures	560,500	560,500	-
Miscellaneous services	177,800	387,800	(210,000)
Contr. & transfers	1,368,625	1,378,625	(10,000)
	<u>\$ 14,612,500</u>	<u>\$ 15,256,575</u>	<u>\$ (644,075)</u>
Mayor & Council	\$ 431,150	\$ 456,650	\$ (25,500)
Finance	560,950	560,950	-
City attorney	408,600	434,600	(26,000)
Non-department	814,000	814,000	-
Govt. buildings	740,850	801,850	(61,000)
Planning	650,410	664,410	(14,000)
I.T. department	237,620	237,620	-
Justice Court	600,900	600,900	-
Police	4,324,500	4,818,825	(494,325)
Fire	-	-	-
Victims Advocate	248,900	248,900	-
Streets	2,418,150	2,411,400	6,750
Motor pool	165,070	165,070	-
City parks	96,050	126,050	(30,000)
Transfer & contr.	2,915,350	2,915,350	-
	<u>\$ 14,612,500</u>	<u>\$ 15,256,575</u>	<u>\$ (644,075)</u>
Excess revenue(expenses)	\$ -	\$ -	\$ -

Capital Project Highlights FY-2025

- ❖ The Debt Service fund is dedicated to the payments of outstanding debt.
- ❖ Police vehicles purchased on lease.
- ❖ ADA sidewalk repair and improvement.
- ❖ Projects are still on-going.

Capital Asset and Debt Administration

Capital assets: Vernal City's investment in capital assets for its Governmental and Business-type activities as of June 30, 2025, amounts to \$43,022,178 Governmental and \$14,245,916 for Business-type activities, net of depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads and highways. The total increase in Vernal City's investment in capital assets for the current fiscal year was \$8,782,191 increase for governmental activities and an \$835,761 decrease for business-type activities.

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

- Impact Fee Projects.
- Storm Drain Projects.
- ADA Improvements
- Water and sewer line improvements.

Table 3
Vernal City's Capital Assets
Net of Depreciation

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 4,920,548			\$ 4,920,548
Water stock	23,195			23,195
Work in progress	5,930,847	\$ 11,003,587	\$ (4,672,879)	12,261,555
Total capital assets not being depreciated	\$ 10,874,590	\$ 11,003,587	\$ (4,672,879)	\$ 17,205,298
Capital assets being depreciated:				
Buildings	\$ 18,627,944			\$ 18,627,944
Improvements other than buildings	6,151,776	\$ 357,658		6,509,434
Machinery and equipment	5,634,508	253,173		5,887,681
Leased Machinery/equipment	583,302	494,520	\$ (529,622)	548,200
Automotive equipment	2,929,888	342,791	(118,828)	3,153,851
Infrastructure	25,218,681	2,703,817		27,922,498
Total capital assets being depreciated:	\$ 59,146,099	\$ 4,151,959	\$ (648,450)	\$ 62,649,608

Table 3 (Cont'd)
Vernal City's Capital Assets
Net of Depreciation

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
Governmental activities:				
Less accumulated depreciation for:				
Buildings	\$ 7,267,094	\$ 471,958		\$ 7,739,052
Improvements other than buildings	3,607,813	190,246		3,798,059
Machinery and equipment	5,221,897	68,846		5,290,743
Automotive equipment	2,342,300	215,109	\$ (95,077)	2,462,332
Infrastructure	16,738,773	754,317		17,493,090
Total accumulated depreciation	\$ 35,177,877	\$ 1,700,476	\$ (95,077)	\$ 36,783,276
Less accumulated amortization for:				
Leased equipment	\$ 302,292	\$ 49,452	\$ (302,292)	\$ 49,452
Total accumulated depreciation/amortization	\$ 35,480,169	\$ 1,749,928	\$ (397,369)	\$ 36,832,728
Total capital assets being depreciated/amort., net	\$ 23,655,930	\$ 2,402,031	\$ (251,081)	\$ 25,816,880
Governmental activities capital assets, net	\$ 34,540,520	\$ 13,405,618	\$ (4,923,960)	\$ 43,022,178

Table 3 (Cont'd)
Vernal City's Capital Assets
Net of Depreciation

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land and easements	\$ 375,284			\$ 375,284
Water Stock	54,956			54,956
Work in progress				
Total capital assets not being depreciated	<u>\$ 430,240</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 430,240</u>
Capital assets being depreciated:				
Buildings	\$ 135,030			\$ 135,030
Improvements other than buildings	30,190,678			30,190,678
Machinery and equipment	824,749			824,749
Automotive equipment	<u>1,229,824</u>		<u>\$ (51,691)</u>	<u>1,178,133</u>
Total capital assets being depreciated	<u>\$ 32,380,281</u>	<u>\$...</u>	<u>\$ (51,691)</u>	<u>\$ 32,328,590</u>
Less accumulated depreciation for:				
Buildings	\$ 127,187	\$ 1,748		\$ 128,935
Improvements other than buildings	16,025,972	772,658		16,798,630
Machinery and equipment	624,458	25,263		649,721
Automotive equipment	<u>951,227</u>	<u>36,092</u>	<u>\$ (51,691)</u>	<u>935,628</u>
Total accumulated depreciation	<u>\$ 17,728,844</u>	<u>\$ 835,761</u>	<u>\$ (51,691)</u>	<u>\$ 18,512,914</u>
Total capital assets being depreciated, net	<u>\$ 14,651,437</u>	<u>\$ (835,761)</u>	<u>\$...</u>	<u>\$ 13,815,676</u>
Business-type activities capital assets, net	<u><u>\$ 15,081,677</u></u>	<u><u>\$ (835,761)</u></u>	<u><u>\$...</u></u>	<u><u>\$ 14,245,916</u></u>

Additional information on Vernal City's capital assets can be found in Note 5 on pages 47-50 of this report.

Long-term debt: At the end of the current fiscal year, Vernal City has no General Obligation debt outstanding. Vernal City had total bonded debt outstanding of \$17,533,490. All of this debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds). Vernal City also has special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment.

Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 397,000	\$ 214,624	\$ 611,624	\$ 513,000	\$ 42,455	\$ 555,455
2027	404,000	137,992	541,992	431,000	40,155	471,155
2028	418,000	197,786	615,786	440,000	39,005	479,005
2029	484,000	187,315	671,315	389,000	37,835	426,835
2030	502,000	175,764	677,764	374,000	36,650	410,650
2031-2035	2,733,000	686,682	3,419,682	1,858,787	164,900	2,023,687
2036-2040	2,955,000	310,946	3,265,946	1,776,000	132,810	1,908,810
2041-2045	1,075,000	30,258	1,105,258	1,197,703	98,645	1,296,348
2046-2050	-	-	-	808,000	62,395	870,395
2051-2055	-	-	-	772,000	23,800	795,800
Total	\$ 8,968,000	\$ 1,941,367	\$ 10,909,367	\$ 8,559,490	\$ 678,650	\$ 9,238,140

- ❖ State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of the value of the taxable property in the City \$859,129,614. The current debt limitation for Vernal City is \$34,365,185 plus an additional 8% \$68,730,369 for water, artificial lights and sewers.

Additional information on Vernal City's long-term debt can be found in note 9 on pages 64-68 of this report.

Economic Factors and Next Year's Budgets and Rates

- Unemployment rates remained near 3.4% since the end of FY 2024 and throughout FY 2025, demonstrating a similar labor market to the State of Utah.
- Wages in the Vernal area increased approximately \$232 on average during FY 2025 and have been rising slightly faster than average wages in Utah.
- Sales tax revenue remained relatively constant with only an approximate 1% decrease in received by Vernal City in FY 2024 and FY 2025.
- The general fund unrestricted fund balance was \$5,551,316 at the end of FY 2025.
- The largest employers in Vernal City and surrounding area are:

	Company	Industry	Employment
1	Uintah School District	Public Education	500-999
2	BHI	Specialty Trade Contractors	500-999
3	Ute Indian Tribe	Local Government	500-999
4	Wal-Mart	Warehouse Clubs/Supercenters	250-499
5	Uintah County	Local Government	250-499

These factors were considered when preparing Vernal City's budget for FY 2026. The original proposed budget is \$15,256,575.

Requests for Information

This financial report is designed to provide a general overview of Vernal City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 374 East Main, Vernal City, Utah, 84078



VERNAL CITY CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2025

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Current assets			
Cash and cash equivalents	\$ 5,223,501	\$ 6,823,260	\$ 12,046,761
Restricted: cash and cash equivalents	3,733,340	9,618,328	13,351,668
Taxes receivable	385,235		385,235
Accounts receivable (net)		707,336	707,336
Assessments receivable	17,729		17,729
Miscellaneous receivable	440,147		440,147
Due from other governmental units	5,607,621		5,607,621
Prepaid expenses	5,000		5,000
Inventory of supplies		27,419	27,419
Non-Current assets			
Capital assets (net of accumulated depreciation/amortization):			
Water stock	23,195	54,956	78,151
Land and easements	4,920,548	375,284	5,295,832
Construction in progress	12,261,555		12,261,555
Buildings	10,888,892	6,095	10,894,987
Improvements other than buildings	2,711,375	13,392,048	16,103,423
Machinery and equipment	596,938	175,028	771,966
Infrastructure	10,429,408		10,429,408
Leased equipment	498,748		498,748
Automotive equipment	691,519	242,505	934,024
Investment in joint venture		7,870,082	7,870,082
Total assets	\$ 58,434,751	\$ 39,292,341	\$ 97,727,092
Deferred outflows of resources - refunding bonds	\$ 152,872		\$ 152,872
Deferred outflows of resources - related to pensions	1,258,246	\$ 111,402	1,369,648
Total assets and deferred outflows of resources	\$ 59,845,869	\$ 39,403,743	\$ 99,249,612
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>			
Current liabilities			
Accounts payable	\$ 968,073	\$ 38,122	\$ 1,006,195
Accrued wages payable	169,340	12,556	181,896
Accrued liabilities	70,721	4,324	75,045
Utility deposits		43,415	43,415
Escrow deposit payable	41,848		41,848
Accrued interest payable	69,230	383	69,613
Due to other governmental units	6,402		6,402
Deferred revenue	10,248	5,813,474	5,823,722
Net pension liability	1,279,785	113,309	1,393,094
Revenue bonds payable - Due within one year	397,000	513,000	910,000
Leases payable - Due within one year	100,328		100,328
Unamortized bond premium - current	252,958		252,958
Long-Term liabilities			
Noncurrent liabilities:			
Revenue bonds payable - Due in more than one year	8,571,000	8,046,490	16,617,490
Unamortized bond premium - noncurrent	304,562		304,562
Compensated absences	420,644	62,198	482,842
Total liabilities	\$ 12,662,139	\$ 14,647,271	\$ 27,309,410

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

VERNAL CITY CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2025

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Deferred inflows of resources:			
Related to pensions	\$ 17,964	\$ 1,591	\$ 19,555
Related to property taxes and governmental resources	434,720		434,720
Total liabilities and deferred inflows of resources	\$ 13,114,823	\$ 14,648,862	\$ 27,763,685
<u>NET POSITION</u>			
Net investment in capital assets	\$ 34,054,178	\$ 13,556,509	\$ 47,610,687
Restricted for:			
Debt Service	510,593		510,593
Utility fund restrictions		9,618,328	9,618,328
Unrestricted	12,166,275	1,580,044	13,746,319
Total net position	\$ 46,731,046	\$ 24,754,881	\$ 71,485,927

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

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

FUNCTION/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
						TOTAL
Primary government:						
Governmental activities:						
General government	\$ 14,053,810	\$ 768,643	\$ 253,346		\$ (13,031,821)	\$ (13,031,821)
Public safety	6,051,401	1,171,035	215,374		(4,664,992)	(4,664,992)
Public works	3,765,714	5,640	1,113,337		(2,646,737)	(2,646,737)
Community	254,758	131,325	10,428,165	\$ 291,689	10,596,421	10,596,421
Intergovernmental	332,929				(332,929)	(332,929)
Capital outlay	1,633				(1,633)	(1,633)
Interest on long-term debt	247,292				(247,292)	(247,292)
Total governmental activities	<u>\$ 24,707,537</u>	<u>\$ 2,076,643</u>	<u>\$ 12,010,222</u>	<u>\$ 291,689</u>	<u>\$ (10,328,983)</u>	<u>\$ (10,328,983)</u>
Business-type activities:						
Utility fund	\$ 4,852,460	\$ 5,904,891				\$ 1,052,431
Total business-type activities	<u>\$ 4,852,460</u>	<u>\$ 5,904,891</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 1,052,431</u>
Total primary government	<u>\$ 29,559,997</u>	<u>\$ 7,981,534</u>	<u>\$ 12,010,222</u>	<u>\$ 291,689</u>	<u>\$ (10,328,983)</u>	<u>\$ (9,276,552)</u>
General revenues:						
Property taxes					\$ 506,108	\$ 506,108
Sales and franchise taxes					9,990,410	9,990,410
Unrestricted investment earnings					581,543	\$ 147,030
BTA's cost sharing allocation					3,595	3,595
Assessment revenues						0
Rents					75,780	75,780
Grants						120,425
Joint venture gain (loss)						198,393
Interest expense						(2,325)
Impact fees						84,500
Miscellaneous					554,293	69,009
Total general revenues and transfers					<u>\$ 11,711,729</u>	<u>\$ 617,032</u>
Change in net position					\$ 1,382,746	\$ 1,669,463
Net position - beginning					45,348,300	23,085,418
Net position - ending					<u>\$ 46,731,046</u>	<u>\$ 24,754,881</u>
						<u>\$ 71,485,927</u>

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

**VERNAL CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	GENERAL FUND	CRA DOWNTOWN IMPROVEMENT FUND	AIRPORT FUND	CAPITAL PROJECTS FUND	MBA FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>							
Cash and cash equivalents	\$ 4,466,897	\$ 3,095,097				\$ 3,056,440	\$ 10,618,434
Restricted: cash and cash equivalents	81,253	1,738,102			\$ 1,170,774	743,211	3,733,340
Receivables (net):							
Taxes	385,235						385,235
Assessments						17,729	17,729
Accounts	440,147						440,147
Due from other governmental units	1,707,947		\$ 3,866,797	\$ 20,012		12,865	5,607,621
Prepaid expenses	5,000						5,000
Total assets	<u>\$ 7,086,479</u>	<u>\$ 4,833,199</u>	<u>\$ 3,866,797</u>	<u>\$ 20,012</u>	<u>\$ 1,170,774</u>	<u>\$ 3,830,245</u>	<u>\$ 20,807,506</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>							
Liabilities:							
Cash deficit			\$ 2,894,563	\$ 2,500,370			\$ 5,394,933
Accounts payable	\$ 426,831		61,645	454,453		\$ 25,141	968,070
Due to other governmental units	1,402				\$ 5,000		6,402
Escrow and retainage payable	41,848						41,848
Accrued wages payable	161,027		8,313				169,340
Accrued liabilities	55,020		2,863			12,838	70,721
Deferred revenue						10,248	10,248
Total liabilities	<u>\$ 686,128</u>	<u>\$...</u>	<u>\$ 2,967,384</u>	<u>\$ 2,954,823</u>	<u>\$ 5,000</u>	<u>\$ 48,227</u>	<u>\$ 6,661,562</u>
Deferred inflows of resources	<u>\$ 434,720</u>						<u>\$ 434,720</u>
Total liabilities and deferred inflows of resources	<u>\$ 1,120,848</u>	<u>\$...</u>	<u>\$ 2,967,384</u>	<u>\$ 2,954,823</u>	<u>\$ 5,000</u>	<u>\$ 48,227</u>	<u>\$ 7,096,282</u>
Fund balances:							
Nonspendable:							
Prepaid expenditures	\$ 5,000						\$ 5,000
Restricted:							
Debt service fund						\$ 510,593	510,593
Capital projects fund		\$ 1,738,102		\$ (2,941,953)			(1,203,851)
Committed:							
Compensated absences	409,315			7,142	\$ 1,165,774.0		1,582,231
Assigned:							
Special revenue funds			\$ 899,413			241,461	1,140,874
Capital projects fund		3,095,097				3,029,964	6,125,061
Unassigned:							
General fund	5,551,316						5,551,316
Total fund balances	<u>\$ 5,965,631</u>	<u>\$ 4,833,199</u>	<u>\$ 899,413</u>	<u>\$ (2,934,811)</u>	<u>\$ 1,165,774</u>	<u>\$ 3,782,018</u>	<u>\$ 13,711,224</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,086,479</u>	<u>\$ 4,833,199</u>	<u>\$ 3,866,797</u>	<u>\$ 20,012</u>	<u>\$ 1,170,774</u>	<u>\$ 3,830,245</u>	<u>\$ 20,807,506</u>

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

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

Total fund balances - governmental fund types: \$ 13,711,224

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

Land and easements	\$	4,920,548	
Water stock		23,195	
Construction in progress		12,261,555	
Buildings		10,888,892	
Improvements other than buildings		2,711,375	
Machinery and equipment		596,938	
Leased equipment		498,748	
Automotive equipment		691,519	
Infrastructure		<u>10,429,408</u>	43,022,178

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bond interest payable	\$	(69,230)	
Deferred charge on bonds		152,869	
Capital lease payable - current portion		(100,328)	
Capital Lease Payable-one year		(304,562)	
Revenue bonds payable - current portion		(397,000)	
Revenue bonds payable - one year		(8,823,958)	
Compensated absences		<u>(420,644)</u>	(9,962,853)

To recognize resources associated with pension assets and deferred outflows of pension resources

Net pension assets			
Deferred outflows of resources - pensions	\$	<u>1,258,246</u>	1,258,246

To recognize obligation associated with pension liabilities which are not current obligations and not recorded in the fund statements

Net pension liability	\$	(1,279,785)	
Deferred inflows of resources - pensions		<u>(17,964)</u>	<u>(1,297,749)</u>

Net position of governmental activities \$ 46,731,046

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

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

	GENERAL FUND	CRA DOWNTOWN IMPROVEMENT FUND	AIRPORT FUND	CAPITAL PROJECTS FUND	MBA FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Taxes	\$ 10,496,518						\$ 10,496,518
Licenses and permits	355,803						355,803
Intergovernmental	1,974,684		\$ 731,325	\$ 891,462		\$ 155,075	3,752,546
Charges for services	132,170				\$ 226,750		358,920
Fines and forfeitures	629,592						629,592
Investment earnings	389,428	\$ 47,672			47,911	96,532	581,543
Assessment revenues						246,689	246,689
Contributions	68,628				10,000		78,628
Miscellaneous revenue	240,160					1,719	241,879
Total revenues	\$ 14,286,983	\$ 47,672	\$ 731,325	\$ 891,462	\$ 284,661	\$ 500,015	\$ 16,742,118
EXPENDITURES:							
Current:							
General government	\$ 3,695,553				\$ 20,430		\$ 3,715,983
Public safety	5,679,944					\$ 165,753	5,845,697
Public works	2,289,722	\$ 111,700	\$ 10,252,933				12,654,355
Community	114,057					50,556	164,613
Capital outlay				\$ 9,493,072		189,514	9,682,586
Intergovernmental expenditures	332,929						332,929
Debt service:							
Principal retirement					353,000	65,000	418,000
Interest and fiscal charges		110,144			149,550	3,050	262,744
Total expenditures	\$ 12,112,205	\$ 221,844	\$ 10,252,933	\$ 9,493,072	\$ 522,980	\$ 473,873	\$ 33,076,907
Excess revenues over (under) expenditures	\$ 2,174,778	\$ (174,172)	\$ (9,521,608)	\$ (8,601,610)	\$ (238,319)	\$ 26,142	\$ (16,334,789)
OTHER FINANCING SOURCES (USES):							
Transfers in			\$ 200,000	\$ 1,800,000	\$ 166,154	\$ 688,783	\$ 2,854,937
Transfers out	\$ (2,854,937)						(2,854,937)
CDA - sales tax reimbursement							0
Grant proceeds			9,348,165				9,348,165
Total other financing sources (uses)	\$ (2,854,937)	\$ -	\$ 9,548,165	\$ 1,800,000	\$ 166,154	\$ 688,783	\$ 9,348,165
Excess of revenues and other sources over (under) expenditures and other uses	\$ (680,159)	\$ (174,172)	\$ 26,557	\$ (6,801,610)	\$ (72,165)	\$ 714,925	\$ (6,986,624)
FUND BALANCES - beginning of year	6,645,790	5,007,371	872,856	3,866,799	1,237,939	3,067,093	20,697,848
FUND BALANCES - end of year	\$ 5,965,631	\$ 4,833,199	\$ 899,413	\$ (2,934,811)	\$ 1,165,774	\$ 3,782,018	\$ 13,711,224

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

VERNAL CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

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

Net changes in fund balances - total governmental funds	\$	(6,986,624)
---	----	-------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		8,310,968
---	--	-----------

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		(234,200)
--	--	-----------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		536,118
--	--	---------

The Governmental funds report pension expense on the modified cash basis. Actual cash paid on benefits which government wide financial statements record pension expenditures is on the accrual basis. This is the net amount of increase to pension expenses during the year on the accrual basis.		(232,899)
---	--	-----------

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.		(10,617)
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Change in net position of governmental activities	\$	1,382,746
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"The notes to the financial statements are an integral part of this statement."

VERNAL CITY CORPORATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	UTILITY FUND	NONMAJOR FUND GOLF COURSE	TOTAL
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Current assets:			
Cash and cash equivalents	\$ 6,823,260		\$ 6,823,260
Restricted: cash and cash equivalents	9,618,328		9,618,328
Receivables - net			
Utilities	707,336		707,336
Inventory supplies	27,419		27,419
Total current assets	\$ 17,176,343	\$...	\$ 17,176,343
Noncurrent assets:			
Water stock	\$ 54,956		\$ 54,956
Land	7,950	\$ 300,711	308,661
Land easements	66,623		66,623
Buildings	76,731	58,299	135,030
Improvements	30,096,015	94,663	30,190,678
Machinery and equipment	824,750		824,750
Automotive equipment	1,178,133		1,178,133
Less: Accumulated depreciation	(18,359,953)	(152,962)	(18,512,915)
Investment in joint venture	7,870,082		7,870,082
Total noncurrent assets	\$ 21,815,287	\$ 300,711	\$ 22,115,998
Total assets	\$ 38,991,630	\$ 300,711	\$ 39,292,341
Deferred outflows of resources - pensions	\$ 111,402		\$ 111,402
Total assets and deferred outflows of resources	\$ 39,103,032	\$ 300,711	\$ 39,403,743

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

VERNAL CITY CORPORATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	NONMAJOR		
	UTILITY	FUND	
	FUND	GOLF	
		COURSE	TOTAL
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>			
Current liabilities:			
Accounts payable	\$ 38,122		\$ 38,122
Accrued wages payable	12,556		12,556
Accrued liabilities	4,324		4,324
Utility deposits	43,415		43,415
Accrued interest payable	383		383
Net pension liability	113,309		113,309
Current portion of long-term debt	513,000		513,000
Total current liabilities	\$ 725,109	\$...	\$ 725,109
Noncurrent liabilities:			
Revenue bonds payable	\$ 8,046,490		\$ 8,046,490
Compensated absences	62,198		62,198
Total noncurrent liabilities	\$ 8,108,688	\$...	\$ 8,108,688
Total liabilities	\$ 8,833,797	\$...	\$ 8,833,797
Deferred inflows of resources:			
Related to grants/loans	\$ 5,813,474		\$ 5,813,474
Related to pensions	1,591		1,591
Total liabilities and deferred inflows of resources	\$ 14,648,862	\$...	\$ 14,648,862
Net Position:			
Net investment in capital assets	\$ 13,255,798	\$ 300,711	\$ 13,556,509
Restricted	9,618,328		9,618,328
Unrestricted	1,580,044		1,580,044
Total net position	\$ 24,454,170	\$ 300,711	\$ 24,754,881

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

VERNAL CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	UTILITY FUND	NONMAJOR FUND GOLF COURSE	TOTAL
Operating revenues:			
Charges for sales and services	\$ 5,904,891		\$ 5,904,891
Total operating revenues	\$ 5,904,891	\$...	\$ 5,904,891
Operating expenses:			
Wages and benefits	\$ 773,137		\$ 773,137
Services and supplies	3,243,562		3,243,562
Depreciation	835,761		835,761
Total operating expenses	\$ 4,852,460	\$...	\$ 4,852,460
Operating income (loss)	\$ 1,052,431	\$...	\$ 1,052,431
Nonoperating revenues (expenses):			
Interest revenue	\$ 147,030		\$ 147,030
Interest expense and fiscal charges	(2,325)		(2,325)
Miscellaneous	69,009		69,009
Grant proceeds	120,425		120,425
Impact fees	84,500		84,500
Joint venture income (loss)	198,393		198,393
Total nonoperating revenues (expenses)	\$ 617,032	\$...	\$ 617,032
Income (loss) before transfers	\$ 1,669,463	\$...	\$ 1,669,463
Transfers In (Out):			
Transfers in (out)			
Total transfers in (out)	\$...	\$...	\$...
Change in net position	\$ 1,669,463		\$ 1,669,463
Total net position - beginning	22,784,707	\$ 300,711	23,085,418
Total net position - ending	\$ 24,454,170	\$ 300,711	\$ 24,754,881

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

VERNAL CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPERETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	NONMAJOR		
	UTILITY	FUND	
	FUND	GOLF	
		COURSE	TOTAL
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 5,871,482		\$ 5,871,482
Cash payments to suppliers	(3,611,141)		(3,611,141)
Cash payments to employees	(718,858)		(718,858)
Net cash provided (used) by operating activities	\$ 1,541,483	\$...	\$ 1,541,483
Cash Flows From Noncapital			
Financing Activities:			
Impact fees	\$ 84,500		\$ 84,500
Net cash provided (used) by noncapital			
financing activities	\$ 84,500	\$...	\$ 84,500
Cash Flows From Capital and Related			
Financing Activities:			
Proceeds of the sale of capital assets	\$ 54,507		\$ 54,507
Interest paid on revenue bonds	(2,325)		(2,325)
Principal paid on revenue bonds	(389,000)		(389,000)
Loans received	4,087,000		4,087,000
Grants received	5,873,000		5,873,000
Miscellaneous	69,009		69,009
Net cash provided (used) by capital			
and related financing activities	\$ 9,692,191	\$...	\$ 9,692,191
Cash Flows From Investing Activities:			
Interest and dividends received	\$ 147,030		\$ 147,030
Net cash provided (used) by			
investing activities	\$ 147,030	\$...	\$ 147,030
Net increase (decrease) in cash and			
cash equivalents	\$ 11,465,204		\$ 11,465,204
Cash and cash equivalents, July 1	4,976,384		4,976,384
Cash and cash equivalents, June 30	\$ 16,441,588	\$...	\$ 16,441,588

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

VERNAL CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPERETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	UTILITY FUND	NONMAJOR FUND GOLF COURSE	TOTAL
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED (USED) BY OPERATING			
ACTIVITIES:			
Operating income (loss)	\$ 1,052,431	\$...	\$ 1,052,431
Adjustments to reconcile operating			
income (loss) to net cash provided (used) by			
operating activities:			
Depreciation expense	\$ 835,761		\$ 835,761
(Increase) Decrease in accounts receivable	(37,969)		(37,969)
(Increase) Decrease in deferred outflows - pensions	(889)		(889)
(Increase) Decrease in inventory	10,311		10,311
Increase (Decrease) in accounts payable	(377,890)		(377,890)
Increase (Decrease) in utility deposits	4,560		4,560
Increase (Decrease) in net pension liability	20,496		20,496
Increase (Decrease) in accrued liabilities/wages payable	3,416		3,416
Increase (Decrease) in compensated absences	30,820		30,820
Increase (Decrease) in deferred inflows - pensions	436		436
Total adjustments	\$ 489,052	\$...	\$ 489,052
Net cash provided (used) by operating activities	\$ 1,541,483	\$...	\$ 1,541,483

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

VERNAL CITY CORPORATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	<u>PAYROLL FUND</u>	<u>TRUST AND AGENCY</u>
<u>ASSETS</u>		
Restricted: cash and cash equivalents	\$ 129,965	\$ 36,995
Miscellaneous receivable		
Prepaid Insurance	<u>95,319</u>	
Total assets	<u>\$ 225,284</u>	<u>\$ 36,995</u>
<u>LIABILITIES</u>		
Cash deficit		
Accrued liabilities	\$ (225,284)	\$ (3,431)
Due to court and other agencies		<u>(33,564)</u>
Total liabilities	<u>\$ (225,284)</u>	<u>\$ (36,995)</u>
<u>NET POSITION</u>		
Net positions balances	<u><u>\$...</u></u>	<u><u>\$...</u></u>

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

VERNAL CITY CORPORATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSTION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>PAYROLL FUND</u>	<u>TRUST AND AGENCY</u>
ADDITIONS:		
Payroll withholdings and deductions	\$ 5,241,890	
Court receipts		\$ 219,079
Miscellaneous		(1,725)
	<u> </u>	<u> </u>
Total additions	<u>\$ 5,241,890</u>	<u>\$ 217,354</u>
DEDUCTIONS:		
Payments to other governments	\$ 5,241,890	
Court funds disbursed		\$ 219,079
Miscellaneous		(1,725)
	<u> </u>	<u> </u>
Total deductions	<u>\$ 5,241,890</u>	<u>\$ 217,354</u>
Change in net position		
Net position - Beginning of year	<u> </u>	<u> </u>
Net position - End of year	<u>\$...</u>	<u>\$...</u>

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

VERNAL CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The financial statements of the Vernal City Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GASB) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments. Certain significant changes in the Statement include the following:

1) Financial statements include a Management's Discussion and Analysis (MD&A) providing an analysis of the City's overall financial position and results of operations. Financial statements prepared using full-accrual accounting for all the City's activities. 2) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

Vernal City Corporation is a municipal corporation governed by an elected mayor and five-member 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, although legally separate entities, are in substance, part of the government's operations.

Blended component unit. The Municipal Building Authority of Vernal City is included in this report as the Municipal Building Authority (MBA), a special revenue fund, which is a component unit, blended in the City's financial statements. Although the MBA is clearly established as a separate entity under state law, it is included due to financial accountability and the extensive oversight provided by the City. Members of the City Council serve as the Board of Directors of the MBA.

B. Government-Wide and Fund Financial Statements

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

B. **Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment- program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function.

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

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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 as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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.

Property taxes, franchise 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund. The CRA Improvement Fund and Capital Projects Fund are Capital Projects funds. The financial resources are to be used for the acquisition of equipment and improvements pertaining to the City. The Airport Fund is a special revenue fund. The financial resources are to be used to operate the local airport. The City does not own the property but has agreed to operate the Airport by an agreement with Uintah County.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The government also reports the following funds as non-major governmental funds:

The Narcotics Strike Force, UCVC Interlocal Agency and Municipal Building Authority Fund – all Special Revenue Funds. City Storm Drain Project, City Park Green Space, Equipment Replacement, Vitalization, Street Construction, Housing Rehabilitation, Emergency Preparedness, and Municipal Building Projects – are all Capital Projects Funds. Combined Special Revenue Funds, Capital Projects Funds and the Debt Service Fund are shown in a combining schedule as Schedule 5 and Schedule 6.

The government reports the following major proprietary fund:

The Water, Sewer & Solid Waste Utility Fund accounts for the operation of and maintenance of the City water distribution system, sewage collection system and residential solid waste collection.

Additionally, the government reports the following fund types:

1. The Vernal City Trust & Agency Fund (a fiduciary fund) accounts for the Vernal City Justice Court Trust Account, The Vernal City Employees Sec 125 Medical Reimbursement Plan Trust Account, the Friends of the Museum Trust Account, and payroll taxes and related liabilities.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer and solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expense 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 Water, Sewer and Solid Waste Fund are charges to customers for sales and services. Operating expenses for enterprise funds include wages and benefits, operating maintenance cost, depreciation and other general and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to first use restricted resources and then unrestricted resources, as they are needed.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

D. Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. Budgets are not adopted for the Vernal City Trust and Agency Fund. All annual appropriations lapse at fiscal year-end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

1. In January of each year, each department of the City prepares requests for capital equipment and capital projects and operating supplies as well as requests for changes in personnel to the City Manager. During April, all department requests are then presented for review to a budget committee made up of two members of the City Council assigned to that particular department, the City Manager, the Finance Director. The committee recommended budgets are then presented to the Mayor and City Council as the Tentative Budget at the first city council meeting in May. During May the Mayor and City Council review the tentative budget with the Department Heads, prepare a final operating budget for the next fiscal year including the means of financing that budget.
2. Copies of the proposed budget are made available for public inspection and by review of the citizens of the city.
3. If the City does not exceed the certified tax rate, a public hearing is held prior to June 22 at which the budget is legally adopted by resolution of the City Council after obtaining taxpayer input. If the City exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
4. Once adopted, the budget can be amended by subsequent city council action. The city council, upon recommendations, can approve reductions in appropriations but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.
5. Minor interim adjustments in estimated revenue and appropriations, during the year ended June 30, 2025, have been included in the final budget approved by the city council, as presented in the financial statements.
6. Expenditures may not legally exceed budgeted appropriations at the department level.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

E. Cash and Cash Equivalents

Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

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

F. Receivables and Payables

Activity between funds, that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as, "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

G. Inventories

All inventories are valued at cost using the first-in-first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

H. Capital Assets

Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, and infrastructure assets (e.g., roads, curb, gutter: sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines Capital Assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

H. **Capital Assets (Continued)**

Buildings, improvements, furniture and equipment and infrastructure assets of the City are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements	10-40
Office equipment	5-20
Machinery and equipment	5-10
Automotive equipment	5-20
Infrastructure	30-50

I. **Compensated Absences**

Under the terms of the Vernal City Personnel Policy, all regular full-time and probationary employees, upon completion of one (1) year of continuous service, shall be eligible to take vacation leave. Employees earn vacation and sick leave in amounts varying with tenure and classification. In the event of termination or death, an employee is reimbursed for accumulated vacation days to a maximum of 240 hours. No reimbursement or accrual is made for unused sick leave. Employees also can accumulate comp time hours. Employees are paid for unused comp time if they are terminated or retire.

All vacation and comp time pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds as they are incurred.

J. **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

K. **Fund Balance Classifications**

In February 2009, the Governmental Accounting Standard Board (GASB) issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010. Fund balance classification changes apply only to governmental fund types; thus, only fund financial statements are affected. Below, the different classifications of fund balances have been listed with any policies or procedures that apply to them:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

K. **Fund Balance Classifications (Continued)**

Nonspendable Fund Balance - Fund balances are reported as nonspendable when they cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted Fund Balance – Fund balances are reported as restricted when constraints placed on the use of resources are either (a) externally imposed through legal restrictions, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Fund balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority should be reported as committed fund balances. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example legislation, resolution, ordinance) it employed to previously commit those amounts. As of June 30, 2021, the City had not adopted a written policy indicating what the highest level of decision-making authority is or the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment. Although no formal written policy has been adopted, it has been the procedures of the City to use the City Council as the highest level of decision-making authority. If commitments have been made, this body would be the authorized body to commit, modify or rescind any action.

Assigned Fund Balance – Fund balances are reported as assigned when the City intends to use funds, which are neither restricted nor committed, for a specific purpose. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds. The City has not officially adopted a policy designating the body or official authorized to assign amounts to a specific purpose. Although no formal policy has been adopted, it has been the practice of the City under the action of the City Council to assign the use of funds for specific purposes after consulting with the mayor and finance department of the City.

Unassigned Fund Balance – Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose. In other governmental funds, the unassigned classification is only used to report a negative fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the unwritten policy and practice of the City to consider restricted amounts to have been spent first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the practice of the City that committed amounts will be spent first, followed by assigned amounts, and then unassigned amounts.

The City also has not adopted a formal policy regarding a minimum fund balance but follows Utah State law which requires all City’s to maintain a minimum general fund balance equal to 5% of total revenues of the general fund.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

L. Pensions

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.

M. Deferred Inflow/Outflow of Resources

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

2. **DEPOSITS AND INVESTMENTS**

It is the City's policy to follow the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) (the Act) in handling its depository and investment transactions. The Act creates the Utah Money Management Council (the "Council"), a five-member body, appointed by the Governor of the State, which exercises oversight of public deposits and investments.

The City maintains a cash and investment pool that is used by all funds. Each major fund's portion of this pool, and the aggregate portion of the pool relating to non-major funds are displayed on the Balance Sheet for Governmental Funds and the Statement of Net Position for proprietary funds, respectively, as "cash and cash equivalents." Total non-fiduciary cash and investments are also reflected on the government-wide Statement of Net Position. The fiduciary fund's portion is found on the Statement of Fiduciary Assets and Liabilities. Income from the investment of the pooled cash is allocated based on each fund's balance in the pool. In addition, cash is separately held by several funds.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's deposits are insured up to \$250,000 per account by the Federal Deposit Insurance Corporation. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Uninsured deposits are not collateralized nor are they required to be by State statute. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2025, \$5,878,339 of the City's bank balances of \$6,521,820 was uninsured and uncollateralized.

2. **DEPOSITS AND INVESTMENTS (Continued)**

Investments

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

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

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

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate 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 Money Management Act; and the Utah State Public Treasurer's Investment Fund.

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, and 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 gains or losses on investments.

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

2. DEPOSITS AND INVESTMENTS (Continued)

Fair Value of Investments

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

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

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

Investments by fair value level	6/30/2025	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities:				
Agency Bond	\$ 3,967,423		\$ 3,967,423	
Corporate Paper	65,149		65,149	
Currency/Cash	3,690	\$ 3,690		
Money Market	1,156,105	1,156,105		
US Government	5,074,551		5,074,551	
Utah Public Investment Fund	9,189,472		9,189,472	
Total investments	<u>\$ 19,456,390</u>	<u>\$ 1,159,795</u>	<u>\$ 18,296,595</u>	<u>\$...</u>

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

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets.
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the June 30, 2025 fair value factor, as calculated by the Utah State Treasurer, to the District's average daily balance in the fund; and,
- Donated Real Estate: recent appraisals of the real estate's value.

2. DEPOSITS AND INVESTMENTS (Continued)

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 Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2025, the City's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Debt Securites:					
Agency Bond	\$ 3,967,423	\$ 3,967,423			
Corporate Paper	65,149		\$ 65,149		
Currency/Cash	3,690	3,690			
Money Market	1,156,105	1,156,105			
US Government	5,074,551		5,074,551		
Utah Public Treas. Invest Fund	9,189,472	9,189,472			
Total Investments	<u>\$ 19,456,390</u>	<u>\$ 14,316,690</u>	<u>\$ 5,139,700</u>	<u>\$...</u>	<u>\$...</u>

Credit Risk

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

2. **DEPOSITS AND INVESTMENTS (Continued)**

At June 30, 2025 the City's investments had the following quality ratings:

Investment Type	6/30/2025 Fair Value	Quality Rating
Agency Bond	\$ 3,967,423	A- or better
Corporate Paper	65,149	A- or better
Currency/ Cash	3,690	Unrated
Money Market	1,156,105	Unrated
US Government	5,074,551	A- or better
State of Utah Public Treas Fund	9,189,472	Unrated
Total	<u>\$ 19,456,390</u>	

Concentration of Credit Risk

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

At June 30, 2025, the City held more than 5% of total investments in securities of US Agency Bonds (\$3,967,423), US Government Bonds (\$5,074,551) and Utah Public Treasurer's Investment Fund (\$9,189,472), which represent 20, 26, and 47 percent, respectively of the City's total investments.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City complies with the custody requirements of the Utah Money Management Act and Rules of the Money Management Council. All investment securities are required to be held by the public treasurer, in safekeeping by a bank or trust company, or in a book-entry-only record maintained by a securities depository, in the Federal Book Entry system or in the book-entry records of the issuer of the security in the name of the public entity. All investment securities are held in the qualified depository certified by the Commissioner of Financial Institutions as adhering to the rules of the Utah Money Management Council or in the book entry records of the issuer of the security.

The City's investments at June 30, 2025 were held by the City or in the City's name by the City's custodial banks with qualified depositories totaling \$19,456,390. Of this amount \$9,189,472, was held by the investment's counterparty, the Utah Public Treasurer's Investment Fund, where the underlying securities were uninsured.

3. RESTRICTED CASH

In connection with bond agreements between Vernal City and Utah Permanent Community Impact Fund Board, Utah Board of Water Resources and Utah Drinking Water Board, the City has agreed to set aside money into sinking funds and reserve accounts. These funds are to ensure that adequate money is available to service debt payments as they come due. The amount to be set aside into the sinking fund is established by each individual bond document. This amount is to be added to the sinking fund on an annual basis until an amount equal to the annual payment of principal and interest is set aside. The City also has unspent bond proceeds that are to be used for specific purposes and are categorized as restricted cash.

In prior years, the City also issued other bonds requiring bond sinking funds and bond reserve funds. Actual payments into these sinking and reserve funds are deposited annually until reserves are equal to that required by the individual bond document. These reserved amounts are shown below along with other restricted funds.

<u>Business-type Activities - Enterprise Funds</u>	
Utility Fund	\$ 9,618,328
<u>Special Revenue Funds</u>	
Narcotics Strike Force	\$ 240,099
Municipal Building Authority	\$ 1,170,774
<u>Capital Projects Fund</u>	
CRA Downtown Improvement	\$ 1,738,102
<u>Debt Service Fund</u>	\$ 503,112
<u>General Fund</u>	\$ 81,253

4. PROPERTY TAXES

The property tax revenue of the City is collected and distributed by the Uintah County Treasurer as an agent of the City. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

4. **PROPERTY TAXES (Continued)**

Beginning January 1, 1992, there was levied in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The City recognizes age-based fee as revenue when the County collects it.

5. **CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 4,920,548			\$ 4,920,548
Water stock	23,195			23,195
Work in progress	5,930,847	\$ 11,003,587	\$ (4,672,879)	12,261,555
Total capital assets not being depreciated	\$ 10,874,590	\$ 11,003,587	\$ (4,672,879)	\$ 17,205,298
Capital assets being depreciated:				
Buildings	\$ 18,627,944			\$ 18,627,944
Improvements other than buildings	6,151,776	\$ 357,658		6,509,434
Machinery and equipment	5,634,508	253,173		5,887,681
Leased machinery/equipment	583,302	494,520	\$ (529,622)	548,200
Automotive equipment	2,929,888	342,791	(118,828)	3,153,851
Infrastructure	25,218,681	2,703,817		27,922,498
Total capital assets being depreciated:	\$ 59,146,099	\$ 4,151,959	\$ (648,450)	\$ 62,649,608

5. **CAPITAL ASSETS (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
Governmental activities:				
Less accumulated depreciation for:				
Buildings	\$ 7,267,094	\$ 471,958		\$ 7,739,052
Improvements other than buildings	3,607,813	190,246		3,798,059
Machinery and equipment	5,221,897	68,846		5,290,743
Automotive equipment	2,342,300	215,109	\$ (95,077)	2,462,332
Infrastructure	16,738,773	754,317		17,493,090
Total accumulated depreciation	<u>\$ 35,177,877</u>	<u>\$ 1,700,476</u>	<u>\$ (95,077)</u>	<u>\$ 36,783,276</u>
Less accumulated amortization for:				
Leased machinery/equipment	<u>\$ 302,292</u>	<u>\$ 49,452</u>	<u>\$ (302,292)</u>	<u>\$ 49,452</u>
Total accumulated depreciation/amortization	<u>\$ 35,480,169</u>	<u>\$ 1,749,928</u>	<u>\$ (397,369)</u>	<u>\$ 36,832,728</u>
Total capital assets being depreciated, net	<u>\$ 23,665,930</u>	<u>\$ 2,402,031</u>	<u>\$ (251,081)</u>	<u>\$ 25,816,880</u>
Governmental activities capital assets, net	<u><u>\$ 34,540,520</u></u>	<u><u>\$ 13,405,618</u></u>	<u><u>\$ (4,923,960)</u></u>	<u><u>\$ 43,022,178</u></u>

5. **CAPITAL ASSETS (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land and easements	\$ 375,284			\$ 375,284
Water stock	54,956			54,956
Work in progress				
Total capital assets not being depreciated	<u>\$ 430,240</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 430,240</u>
Capital assets being depreciated:				
Buildings	\$ 135,030			\$ 135,030
Improvements other than buildings	30,190,678			30,190,678
Machinery and equipment	824,749			824,749
Automotive equipment	<u>1,229,824</u>		<u>\$ (51,691)</u>	<u>1,178,133</u>
Total capital assets being depreciated	<u>\$ 32,380,281</u>	<u>\$...</u>	<u>\$ (51,691)</u>	<u>\$ 32,328,590</u>
Less accumulated depreciation for:				
Buildings	\$ 127,187	\$ 1,748		\$ 128,935
Improvements other than buildings	16,025,972	772,658		16,798,630
Machinery and equipment	624,458	25,263		649,721
Automotive equipment	<u>951,227</u>	<u>36,092</u>	<u>\$ (51,691)</u>	<u>935,628</u>
Total accumulated depreciation	<u>\$ 17,728,844</u>	<u>\$ 835,761</u>	<u>\$ (51,691)</u>	<u>\$ 18,512,914</u>
Total capital assets being depreciated, net	<u>\$ 14,651,437</u>	<u>\$ (835,761)</u>	<u>\$...</u>	<u>\$ 13,815,676</u>
Business-type activities capital assets, net	<u><u>\$ 15,081,677</u></u>	<u><u>\$ (835,761)</u></u>	<u><u>\$...</u></u>	<u><u>\$ 14,245,916</u></u>

5. CAPITAL ASSETS (Continued)

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

Governmental Activities:

General government	\$ 30,566
Public safety	257,241
Highways and public improvements	1,330,566
Parks and recreation	<u>82,103</u>

Total depreciation/amortization expense - governmental activities	<u>\$ 1,700,476</u>
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Business-type Activities:

Utility	<u>\$ 835,761</u>
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Total depreciation expense - business-type activities	<u>\$ 835,761</u>
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Total depreciation/amortization expense	<u><u>\$ 2,536,237</u></u>
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6. CONTINGENT LIABILITIES

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

Vernal City Corporation has a few pending lawsuits and notice of claims filed by different individuals and entities. The information presented by attorneys indicated that most of the outcomes of lawsuits are undeterminable at the date of audit, but the City is aggressively fighting these claims.

7. PROPERTY TAX CALENDAR

The City adopts, by June 22, the proposed tax rates as part of its budget for the current year, which begins July 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The final tax rate is assessed by the county assessor on property in the County as of July 1. The taxes are payable to the City treasurer by the end of November and are remitted to the City by the county treasurer as collected.

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) is a multiple employer, cost sharing, public employee retirement system.
- Public Safety System (Public Safety System) is a mixed agent and 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 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.

8. PENSION PLANS (Continued)

Summary of Benefits by System

Benefits provided: URS provides retirement, disability, and death benefits.

Retirement benefits are as follows:

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit percentage per Year of Service	COLA**
Noncontributory System	Highest 3 Years	30 years, any age 25 years, any age* 20 years, 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% or 4% depending upon employer
Tier 2 Public Employees System	Highest 5 Years	35 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.50% per year all years	Up to 2.5%
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	1.50% per year 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.

8. PENSION PLANS (Continued)

Contribution Rate Summary

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

Utah State Retirement Systems

	Tier 1 - DB System			Tier 2 - DB Hybrid System				Tier 2 - 401(k) Option			
	Employee	Employer	ER 401(k)	Tier2 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											
75 Other Div A 4% COLA		35.21		122	4.73	26.46		222		12.49	14.00

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

Contribution Summary

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

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 220,627	\$ -
Public Safety System	185,289	-
Tier 2 Public Employees System	162,547	7,393
Tier 2 Public Safety and Firefighter	277,905	49,622
Tier 2 DC Public Employees Plan	47,282	-
Tier 2 DC Public Safety and Firefighter Plan	924	
Total Net Pension Asset/Liability	\$ 894,574	\$ 57,015

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.

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 liability of \$1,393,094 and a net pension asset of \$0.

(Measurement Date): December 31, 2024

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2023	Change (Decrease)
Noncontributory System	\$ -	\$ 500,326	0.1577761%	0.1565137%	0.0012624%
Public Safety System	-	692,790	0.4477410%	0.4632261%	(0.0154851)%
Tier 2 Public Employees System	-	102,669	0.0344251%	0.0376359%	(0.0032107)%
Tier 2 Public Safety and Firefighter	-	97,308	0.2151454%	0.2096070%	0.0055384%
Total Net Pension Asset/Liability	<u>\$ -</u>	<u>\$ 1,393,094</u>			

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

For the year ended June 30, 2025, we recognized pension expense of \$1,143,640.

At June 30, 2025, we 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	\$ 474,627	\$ 5,820
Changes in assumptions	130,248	1,539
Net difference between projected and actual earnings on pension plan investments	283,477	
Changes in proportion and differences between contributions and proportionate share of contributions	23,898	12,197
Contributions subsequent to the measurement date	457,398	
Total	<u>\$ 1,369,647</u>	<u>\$ 19,556</u>

8. PENSION PLANS (Continued)

\$457,398 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:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (inflows) of Resources</u>
2025	\$ 382,019
2026	480,306
2027	(95,754)
2028	(1,701)
2029	43,697
Thereafter	84,127

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

For the year ended June 30, 2025, we recognized pension expense of \$453,793.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 298,122	\$ -
Changes in assumptions	41,386	-
Net difference between projected and actual earnings on pension plan investments	150,706	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	3,197
Contributions subsequent to the measurement date	110,076	-
	<u>\$ 600,290</u>	<u>\$ 3,197</u>

\$110,076 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.

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:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (inflows) of Resources</u>
2025	\$ 284,539
2026	274,797
2027	(61,152)
2028	(11,167)
2029	-
Thereafter	-

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

For the year ended June 30, 2025, we recognized pension expense of \$ 437,177.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 73,208	
Changes in assumptions		
Net difference between projected and actual earnings on pension plan investments	119,902	
Changes in proportion and differences between contributions and proportionate share of contributions		\$ 5,774
Contributions subsequent to the measurement date	<u>95,318</u>	
Total	<u>\$ 288,428</u>	<u>\$ 5,774</u>

\$95,318 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.

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:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (inflows) of Resources</u>
2025	\$ 74,674
2026	170,192
2027	(48,702)
2028	(8,828)
2029	-
Thereafter	-

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

For the year ended June 30, 2025, we recognized pension expense of \$ 112,124.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 44,385	\$ 707
Changes in assumptions	34,290	11
Net difference between projected and actual earnings on pension plan investments	6,562	
Changes in proportion and differences between contributions and proportionate share of contributions	15,736	1,514
Contributions subsequent to the measurement date	110,200	
Total	<u>\$ 211,173</u>	<u>\$ 2,232</u>

8. PENSION PLANS (Continued)

\$110,200 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:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (inflows) of Resources</u>
2025	\$ 11,826
2026	18,261
2027	7,831
2028	9,635
2029	22,910
Thereafter	28,278

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

For the year ended June 30, 2025, we recognized pension expense of \$ 140,547.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 58,912	\$ 5,113
Changes in assumptions	54,572	1,528
Net difference between projected and actual earnings on pension plan investments	6,307	
Changes in proportion and differences between contributions and proportionate share of contributions	8,162	1,712
Contributions subsequent to the measurement date	141,803	
Total	<u>\$ 269,756</u>	<u>\$ 8,353</u>

8. **PENSION PLANS (Continued)**

\$141,803 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:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (inflows) of Resources</u>
2025	\$ 10,980
2026	17,056
2027	6,269
2028	8,659
2029	20,788
Thereafter	55,849

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

Inflation	2.50 percent
Salary increases	3.5 - 9.50 percent, average, including inflation
Investment rate of return	6.85 percent, net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2023. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using the ultimate rates from the MP-2050 improvement scale using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

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

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 and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85 percent, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.85 percent) or one-percentage point higher (7.85 percent) than the current rate:

8. PENSION PLANS (Continued)

	1% Decrease or (5.85%)	Discount Rate of (6.85%)	1% Increase or (7.85%)
System			
Noncontributory System	\$ 2,115,969	\$ 500,326	\$ (854,675)
Public Safety System	2,128,352	692,790	(478,605)
Tier 2 Public Employees System	306,648	102,669	(56,006)
Tier 2 Public Safety and Firefighter System	331,811	97,308	(90,181)
Total	<u>\$ 4,882,780</u>	<u>\$ 1,393,094</u>	<u>\$ (1,479,468)</u>

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

Defined Contribution Savings Plan

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems but may also be used as a primary retirement plan. These plans are voluntary tax-advantage 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.

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

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

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

8. PENSION PLANS (Continued)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
401(k) Plan			
Employer Contributions	\$ 113,955	\$ 92,337	\$ 68,010
Employee Contributions	24,134	23,316	19,587
457 Plan			
Employer Contributions			
Employee Contributions	\$ 42,717	\$ 50,237	\$ 35,974
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 20,546	\$ 6,768	\$ 985

GASB 68 schedule	Beginning values			Ending values		
	NPL/(NPA)	Asset	Liability	NPL/(NPA)	Asset	Liability
Noncontributory	\$ 363,044	\$ -	\$ 363,044	\$ 500,327		\$ 500,327
Contributory						
Public Safety	662,489	-	662,489	692,790		692,790
Firefighters						
Judges						
Governors & Legislators						
Tier 2 Public Employees	73,254	-	73,254	102,669		102,669
Tier 2 Public Safety & Fire	78,957	-	78,957	97,308		97,308
Total	\$ 1,177,744	\$ -	\$ 1,177,744	\$ 1,393,094	\$ -	\$ 1,393,094

8. PENSION PLANS (Continued)

Retirement System	Net Pension Liability/(Asset)			Net Pension Liability/(Asset)		
	at 12-31-2023			at 12-31-2024		
	System Total NPL/(NPA)	Proportionate Share	Beginning Values	System Total NPL/(NPA)	Proportionate Share	Ending Values
Noncontributory						
Local Government	\$ 231,956,482	0.1565137%	\$ 363,044	\$ 317,111,594	0.1577761%	\$ 500,327
Public Safety						
Other DIV A	143,016,404	0.4632261%	662,489	154,730,140	0.4477410%	692,790
Tier 2 Public employees	194,638,109	0.0376359%	73,254	298,238,932	0.0344251%	102,669
Tier 2 PS and Firefighter	37,669,209	0.2096070%	78,957	45,228,889	0.2151454%	97,308
Total	<u>\$ 607,280,204</u>		<u>\$ 1,177,744</u>	<u>\$ 815,309,555</u>		<u>\$ 1,393,094</u>

9. LONG-TERM DEBT

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 397,000	\$ 214,624	\$ 611,624	\$ 513,000	\$ 42,455	\$ 555,455
2027	404,000	137,992	541,992	431,000	40,155	471,155
2028	418,000	197,786	615,786	440,000	39,005	479,005
2029	484,000	187,315	671,315	389,000	37,835	426,835
2030	502,000	175,764	677,764	374,000	36,650	410,650
2031-2035	2,733,000	686,682	3,419,682	1,858,787	164,900	2,023,687
2036-2040	2,955,000	310,946	3,265,946	1,776,000	132,810	1,908,810
2041-2045	1,075,000	30,258	1,105,258	1,197,703	98,645	1,296,348
2046-2050				808,000	62,395	870,395
2051-2055				772,000	23,800	795,800
Total	<u>\$ 8,968,000</u>	<u>\$ 1,941,367</u>	<u>\$ 10,909,367</u>	<u>\$ 8,559,490</u>	<u>\$ 678,650</u>	<u>\$ 9,238,140</u>

9. LONG-TERM DEBT (Continued)

Long-term liability activity for the year ended June 30, 2025, was as follows:

	Beginning Balance 6/30/2024	Additions	Reductions	Ending Balance 6/30/2025	Due Within One Year
Governmental activities:					
Bonds payable:					
Revenue bonds CIB	\$ 2,984,000		\$ 67,000	\$ 2,917,000	\$ 68,000
Capital leases	118,118	\$ 512,126	225,354	404,890	100,328
Compensated absences	394,575	26,069		420,644	
Net pension liability	1,084,931	194,854		1,279,785	
MBA Fund:					
Revenue bonds CIB	6,403,000		352,000	6,051,000	329,000
Governmental activity long-term liabilities	\$ 10,984,624	\$ 733,049	\$ 644,354	\$ 11,073,319	\$ 497,328
Business-type activities:					
Bonds payable:					
Utility Fund:					
Revenue bonds CIB	\$ 4,816,703	\$ 4,087,000	\$ 389,000	\$ 8,514,703	\$ 507,000
Special assessment bonds	50,787		6,000	44,787	6,000
Compensated absences	31,378	30,820		62,198	
Net pension liability	92,813	20,496		113,309	
Business-type activity long-term liabilities	\$ 4,991,681	\$ 4,138,316	\$ 395,000	\$ 8,734,997	\$ 513,000

Revenue Bonds - Revenue bonds payable at June 30, 2025, with their outstanding balances are comprised of the following individual issues:

Governmental Activities:

\$1,100,000 Vernal City, Taxable Sales Tax Revenue Bonds, Series 2009B,
Due in annual principal installments of \$37,000, beginning September 1, 2010,
non-interest bearing. \$ 545,000

\$200,000 Vernal City, Excise Tax Road Revenue Bonds, Series 2020,
Due in annual principal installments of \$25,000 to \$33,000, Beginning
February 1, 2022 through February 1, 2028, interest rate at 2.5% per annum \$94,000

9. **LONG-TERM DEBT (Continued)**

Governmental Activities (Continued):

\$2,280,000 Vernal City, Sales Tax Bond, Series 2022, Due in annual Installments of \$1,000 to \$217,000, Beginning September 1, 2023 through September 1, 2042, interest rate at 3.18% per annum \$ 2,278,000

\$250,000 Municipal Building Authority of Vernal City, Utah Taxable Lease Revenue Bond, Series 2006, due in annual principal installments of \$16,000, beginning October 1, 2008 through October 1, 2032, non interest bearing. 80,000

\$3,000,000 Municipal Building Authority of Vernal City, Utah, Taxable Lease Revenue Bonds Series 2009A, due in annual installments of \$100,000, beginning April 1, 2011 through April 1, 2040. Non-interest bearing 1,715,000

\$3,575,000 Municipal Building Authority of Vernal City, Uintah County, Sales Tax Revenue Bonds, Series 2017, refunding bonds to be used to advance refund sales tax revenue bonds, series 2003 and 2009. The proceeds from the series 2017 sales tax revenue bonds were placed into an escrow account to advance refund the bonds. Principal debt payments are due in annual principal installments in varying amounts from \$135,000 to \$235,000, beginning September 1, 2018 through September 1, 2038. Variable interest rates from 2.00% to 4.000%. 2,540,000

\$2,500,000 Municipal Building Authority of Vernal City, Utah, Taxable Lease Revenue Bonds Series 2009B, annual principal installments in varying amounts from \$62,500 to \$119,000 plus interest at 2.50%. 1,716,000

Total Governmental Activities Bond Debt \$ 8,968,000

On December 1, 2017, Vernal City issued \$3,575,000 of Sales Tax Revenue Bonds refunding bonds at a premium of \$354,142. This premium is to be amortized over the life of the new bonds, which is twenty-one years. Each year, \$16,864 will be amortized and taken into interest income. The Premium is reported with debt. The balance at June 30, 2025 is \$ 252,958

Total reported as debt obligations on financial Statements Governmental Activities \$ 9,220,958

9. **LONG-TERM DEBT (Continued)**

Business-type Activities:

\$510,000 Vernal City Taxable Water Revenue Bond Series 2009B, due in annual Principal installments of \$26,000, beginning March 1, 2010 through March 1, 2029 non-interest bearing.	\$94,000
\$691,000 Vernal City, Uintah County Utah Taxable Sewer Revenue Bond, series 2002B, due in annual principal installments of \$34,000 to \$36,000, beginning December 1, 2006 through December 1, 2025, non-interest bearing.	36,000
\$780,534 Vernal City, Uintah County, Utah Water Revenue Bond, Series 2002, due in annual principal installments of \$30,534 to \$46,000, beginning March 1, 2007 through March 1, 2026, interest rate 2.50% per annum.	46,000
\$707,000 Vernal City, Taxable Sewer Revenue Bonds, Series 2006, due in annual principal installments of \$35,000, beginning December 1, 2008 through December 1, 2027, non-interest bearing. Proceeds received as of June 30, 2007.	112,000
\$340,000 Vernal City, Taxable Water Revenue Bond Series 2009, due in annual installments of \$14,000, Beginning March 1, 2010 through March 1, 2034. Non-interest bearing.	2,914,563
\$5,216,000 Vernal City, Taxable Water Revenue Bond Series 2013, due in annual installments of \$174,000, Beginning March 1, 2015 through March 1, 2044, with the last payment due of \$170,000. The entire amount of the loan has not been issued as of June 30, 2014. Non-interest bearing.	117,000
\$114,787 Vernal City, Taxable Special Assessment Bonds, 2014 due in annual installments of \$6,000, Beginning December 1, 2014 through December 1, 2033, a final payment due of \$787. Non-interest bearing.	116,000
\$282,000 Vernal City, Taxable Sewer Revenue Bond Series 2009, due in annual installments of \$11,000, beginning December 1, 2010 through December 1, 2034. Non-interest bearing.	285,140

9. LONG-TERM DEBT (Continued)

Business-type Activities: (continued)

\$490,000 Vernal City, Taxable Water Revenue Bond Series 2014, due in annual installments of \$16,000 to \$17,000, beginning March 1, 2016 through March 1, 2045. Non-interest bearing.	\$ 44,787
\$280,000 Vernal City, Taxable Water Revenue Bond Series 2016, due in annual installments of \$9,000 to \$10,000, beginning March 1, 2018 through March 1, 2047. Non-interest bearing.	208,000
\$2,087,000 Vernal City, Taxable Waterline Replacement Phase 1 Bond, due in Annual installments of \$86,000 to \$88,000, beginning February 1, 2026 through February 1, 2055 interest rate 1.50% per annum	2,087,000
\$2,087,000 Vernal City, Taxable Downtown Streets & Utilities Project, due in Annual installments of \$71,000 to \$73,000, beginning March 1, 2026 through March 1, 2055 interest rate .50% per annum	2,000,000
\$653,000 Vernal City, Taxable Sewer Revenue Bond Series 2016, due in annual installments of \$21,000 to \$22,000, beginning December 1, 2018 through December 1, 2047. Non-interest bearing.	<u>499,000</u>
TOTAL	<u><u>\$8,559,490</u></u>

10. LEASED ASSET AGREEMENTS

Vernal City has entered into lease agreements as a lessee for financing the acquisition of vehicles for the Public Safety functions of the General Fund, a governmental fund. The lease agreement is for a two-year lease term. The lease agreements qualify for the new GASB 87 recording rules for leases and therefore have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through the lease agreements are as follows:

	<u>Governmental</u>
Equipment	\$ 548,201
Less: Accumulated Amortization	<u>(49,452)</u>
Net assets	<u><u>\$ 498,748</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025 were as follows:

10. LEASED ASSET AGREEMENTS (continued)

	Years Ending <u>June 30,</u>	Governmental Activities
	2025	
		\$ 117,094
Total minimum lease payments		\$ 117,094
Less: amount representing interest		(16,766)
Present value of minimum lease payments		\$ 100,328

11. SEGMENT INFORMATION

All Enterprise Funds as presented in the financial statements are comprised of the Utility Fund, Golf Fund, and Municipal Building Authority. The Utility Fund accounts for the activities involved with providing water, sewer and refuse collection services. The Golf Fund has limited transactions and basically owns assets involved with the operation of the golf course. The Golf Course is operated by another governmental organization. The Municipal Building Authority owns and rents real estate. Segment information for each fund is presented below:

CONDENSED STATEMENT OF NET POSITION

	Utility Fund	Golf Course
Assets:		
Current assets	\$ 17,176,343	
Capital assets	21,815,287	\$ 300,711
Deferred outflows of res.	111,402	
Total assets	\$ 39,103,032	\$ 300,711
Liabilities:		
Current liabilities	\$ 611,800	
Noncurrent liabilities	8,108,688	
Net pension liability	113,309	
Deferred inflows of res.	5,815,065	
Total liabilities	\$ 14,648,862	\$...
Net Position:		
Net investment in capital assets	\$ 13,255,798	\$ 300,711
Restricted	9,618,328	
Unrestricted	1,580,044	
Total net position	\$ 24,454,170	\$ 300,711

11. SEGMENT INFORMATION (Continued)

**CONDENSED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

	Utility Fund	Golf Course
Operating revenues	\$ 5,904,891	
Depreciation expense	(835,761)	
Other operating expenses	(4,016,699)	
Operating income	\$ 1,052,431	\$...
Nonoperating revenue (expenses):		
Investment earnings	\$ 147,030	
Impact fees	84,500	
Interest expense and fiscal charges	(2,325)	
Miscellaneous	69,009	
Grants	120,425	
Joint venture income (loss)	198,393	
Total nonoperating revenue (expense)	\$ 617,032	\$...
Income (loss) before transfers	\$ 1,669,463	\$...
Transfers in (out):		
Transfers		
Total transfers	\$...	\$...
Change in net position	\$ 1,669,463	
Beginning net position	22,784,707	\$ 300,711
Ending net position	\$ 24,454,170	\$ 300,711

11. SEGMENT INFORMATION (Continued)

CONDENSED STATEMENT OF CASH FLOWS

	Utility Fund	Golf Course
Net cash provided (used) by:		
Operating activities	\$ 1,541,483	
Noncapital financing activities	84,500	
Capital and related financing activities	9,692,191	
Investing activities	147,030	
Net increase (decrease)	\$ 11,465,204	
Beginning cash and cash equivalents	4,976,384	
Ending cash and cash equivalents	\$ 16,441,588	\$...

OTHER FINANCIAL DATA

	Utility Fund	Golf Course
Operating revenues:		
Charges for services	\$ 5,904,891	
Depreciation expense	835,761	
Operating income (loss)	1,052,431	
Operating transfers in (out)		
Change in net position	1,669,463	
Property, plant, and equipment:		
Additions		
Net working capital	16,451,233	
Total assets	38,891,630	\$ 300,711
Bonds payable	8,559,490	
Total net position	24,454,170	300,711

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City pays an annual premium to Utah Local Governments Trust for its health insurance coverage, general liability and property coverage. At June 30, 2025, the City had no claims or judgments filed against it related to the risks mentioned above.

13. RECEIVABLES

Receivables as of year-end for the government's individual funds including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Debt Service Fund	Airport Fund	Capital Projects/ Special Revenue Fund	Business Type Activities	Total
Receivables:						
Taxes	\$ 385,235					\$ 385,235
Assessment		\$ 17,729				17,729
Accounts	440,147				\$ 717,675	1,157,822
Due from other governments	1,707,947		\$ 3,866,797	\$ 32,877		5,607,621
Gross receivables	\$ 2,533,329	\$ 17,729	\$ 3,866,797	\$ 32,877	\$ 717,675	\$ 7,168,407
Less: allowance for uncollectibles					10,339	10,339
Net receivables	\$ 2,533,329	\$ 17,729	\$ 3,866,797	\$ 32,877	\$ 707,336	\$ 7,158,068

14. INTERFUND BALANCE AND TRANSFERS

Transfers- The following table provides a reconciliation of all interfund transfers:

	<u>TRANSFERS</u>	
Fund	In	(Out)
General		\$ (2,854,937)
Capital projects fund	\$ 1,800,000	
City park - green space	62,733	
Airport fund	200,000	
Debt Service fund	31,050	
City storm drain		
Equipment replacement	595,000	
Downtown fund		
Municipal Building Authority	166,154	
Totals	\$ 2,854,937	\$ (2,854,937)

15. **JOINT OPERATING AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES**

Vernal City has entered into joint operating agreements with Uintah County to provide services to the residents of Vernal City in the most economical manner to all of the residents of the City. These joint operations include the Vernal City/Uintah County Airport, Vernal City/Uintah County Cemetery, Vernal City/Uintah County Fire Department. Policy for the administration and operation of these joint ventures is established jointly by the Uintah County Commission and Vernal City Council. The entities have agreed to share the net cost after deducting applicable revenues of maintenance and operation, capital outlay and any other approved expenditure according to the following percentages:

- ❖ **Vernal City/Uintah County Airport (Airport agreement changed July 1, 2020):**
 - Uintah County 75%
 - Vernal City 25%
- ❖ **Vernal City/Uintah County Cemetery:**
 - Uintah County 50%
 - Vernal City 50%
- ❖ **Vernal City/Uintah County Fire Department:**
 - Uintah County 50%
 - Vernal City 50%

There is also a joint operating agreement between Vernal City, Uintah County, Duchesne County, Roosevelt City, Naples City and the State of Utah to operate the Uintah Basin Communications Center. Policy for the administration and operation of the Uintah Basin Communications Center is established jointly by a Governing Board, made up of one member each, from Uintah County Commission, Duchesne County Commission, Vernal City Council, Roosevelt City Council, and the State of Utah Public Safety Communications Director. The State of Utah is responsible for the payment of all operating expenditures, capital expenditures, wages, and benefits. The various entities have agreed to share the cost of maintenance and operations, capital outlay and any other approved expenditure. Estimated revenue sources are as follows:

a. Utah Dept of Public Safety	25.0%
b. Uintah County	13.3%
c. Duchesne County	8.1%
d. Vernal City	12.9%
e. Roosevelt City	6.1%
f. Sale of services	34.6%

The Uintah Recreation District was established by the Uintah County Commission in October of 1996. The board of directors shall consist of ten (10) members. Seven (7) shall be appointed by the Uintah County Commission; one (1) member appointed by Vernal City; one (1) member appointed by Naples City and one (1) member by Ballard Town. The Recreation District is currently responsible for operating several of the Joint Operating Agreements in which Vernal City participates.

15. JOINT OPERATING AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES
(Continued)

Following is a description of each joint operation:

1. Golf Course

- ❖ Ownership of Facilities. The land and all of the golf course buildings and improvements is owned by Vernal City and The Municipal Building Authority of Vernal City.
- ❖ Administration of facilities. Policy for the administration and operation of the Golf Course Complex is established by the Recreation District Board.

2. City County Parks

- ❖ Ownership of Facilities. The City/County park complex is located at 1000 West 300 North. The land and all of the buildings are owned jointly by Uintah County and Vernal City. Each entity owns 50% of the assets.
- ❖ Administration of facilities. Policy for the administration and operation of the City/County Park Complex is established by the Recreation District.

There is a joint operating agreement dated January 24, 2001 between Vernal City, Naples City and Uintah County to construct and operate the Uintah Animal Shelter located at 1387 East 335 South, Vernal, UT. The project is to be administered by Vernal City.

The facility shall be owned by the Municipal Building Authority of Vernal City and the permanent Community Impact Board of the State of Utah.

Cost sharing of all operation and maintenance expenses and capital expenditures shall be shared by Vernal City, Naples City and Uintah County on the basis of actual use of the shelter as measured by the number of animals housed at the shelter during the fiscal year preceding the fiscal year (July, 1 – June, 30) in which the expenses are to be paid.

CIB loan repayment shall be shared by Vernal City, Naples City and Uintah County on the basis of actual use of the shelter as measured by the number of animals housed at the shelter during the fiscal year preceding the fiscal year (July 1 – June 30) in which the expenses are to be paid.

16. JOINT VENTURE

The Ashley Valley Sewer Management Board is a joint venture formed to provide sewage disposal service to the residents of the Ashley Valley. The participants in the joint venture are Vernal City, Maeser Water and Sewer Improvement District and Ashley Valley Water and Sewer Improvement District. The Governing Board is comprised of two (2) members from each of the participating entities. The Board makes all the decisions relating to operations, budgeting, etc. A condensed audited financial statement is outlined as follows:

ASHLEY VALLEY SEWER MANAGEMENT BOARD
BALANCE SHEET
DECEMBER 31, 2024
(AUDITED)

<u>Assets</u>	
Current assets	\$ 12,549,346
Property and equipment (net)	12,125,219
Restricted assets	<u>195,139</u>
Deferred outflows of resources	<u>192,741</u>
Total assets and deferred outflows of resources	<u>\$ 25,062,445</u>
<u>Liabilities and Fund Equity</u>	
Current liabilities	\$ 355,078
Long-term liabilities	1,096,083
Fund equity	<u>23,610,245</u>
Deferred inflows of resources	<u>1,039</u>
Total liabilities and fund equity	<u>\$ 25,062,445</u>

Each of the participants has a 1/3 interest in the joint venture. The City's activity, for the year ended June 30, 2025, is presented below:

Ending Balance, 6-30-24	\$ 7,671,689
Vernal City's operating income (Total income \$595,178 x 1/3)	198,393
Capital Contribution	
Ending Balance, 6-30-25	<u>\$ 7,870,082</u>

All of the financial information presented above, and the information as reported in the accompanying financial statements, is taken from audited financial statements prepared by Eastern Utah CPA's, PLLC, Certified Public Accountants, 134 W Main Street, Ste 101, Vernal, Utah 84078.

17. BUDGET VARIANCE

For the year ended June 30, 2025, the City had unfavorable budget variances in the General Fund – Police department, Fire department, Animal Shelter, Motor pool, and Transfers to other funds. The City also had unfavorable budget variances in the Airport Fund and a few other special revenue and capital projects funds.

18. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets and liabilities, the statement of financial position and balance sheet reports a separate section for deferred outflows/inflows of resources. The 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 recognizes two of these outflows, one dealing with pension and the other dealing with refunding bonds. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City reports three of these items. One item, unavailable revenue, reports unavailable revenues from grantors/contributors when the only eligibility criterion that has not been met by the recipient is a timing requirement. The second item, property taxes, is reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. The third item deals with pension.

19. SUBSEQUENT EVENTS

Subsequent events were reviewed thru the date of the opinion February 27, 2026. The City has no significant subsequent events to report for the fiscal year 2024-2025.

VERNAL CITY

Required Supplementary Information

Schedule 1	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund
Schedule 2	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Airport Fund
Schedule 3	Schedule of the Proportionate Share of the Net Pension Liability
Schedule 4	Schedule of Contributions
	Notes to Required Supplementary Information

VERNAL CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
REVENUES:				
Taxes:				
Property taxes	\$ 490,500	\$ 498,000	\$ 506,108	\$ 8,108
General sales and use tax	6,930,000	6,930,000	6,899,286	(30,714)
Franchise tax	1,070,000	1,070,000	936,530	(133,470)
Transient room tax	160,000	160,000	157,728	(2,272)
Sales tax streets	1,800,000	1,800,000	1,820,579	20,579
Municipal telecom tax	170,000	170,000	176,287	6,287
Licenses and permits	282,000	296,000	355,803	59,803
Intergovernmental	1,185,100	1,587,675	1,974,684	387,009
Charges for services	117,975	117,975	132,170	14,195
Fines and forfeitures	560,500	560,500	629,592	69,092
Investment earnings	300,000	300,000	389,428	89,428
Contributions	1,368,625	1,378,625	68,628	(1,309,997)
Miscellaneous revenue	177,800	387,800	240,160	(147,640)
Total revenues	\$ 14,612,500	\$ 15,256,575	\$ 14,286,983	\$ (969,592)
EXPENDITURES:				
Current:				
General government:				
Mayor and council	\$ 431,150	\$ 456,650	\$ 430,174	\$ 26,476
City administration	814,000	814,000	728,200	85,800
Finance	560,950	560,950	541,455	19,495
Attorney	408,600	434,600	355,370	79,230
Government facilities	740,850	801,850	788,476	13,374
Planning and community development	650,410	664,410	622,373	42,037
I.T. Department	237,620	237,620	229,505	8,115
Total general government	\$ 3,843,580	\$ 3,970,080	\$ 3,695,553	\$ 274,527
Public safety:				
Police	\$ 4,324,500	\$ 4,818,825	\$ 4,862,446	\$ (43,621)
Fire			122	(122)
Animal shelter			361	(361)
Justice court	600,900	600,900	583,865	17,035
Victims advocate	248,900	248,900	233,150	15,750
Total public safety	\$ 5,174,300	\$ 5,668,625	\$ 5,679,944	\$ (11,319)

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

SCHEDULE 1
(Continued)

VERNAL CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
Highways and public improvements:				
Streets department	\$ 2,418,150	\$ 2,411,400	\$ 2,123,499	\$ 287,901
Motor pool	165,070	165,070	166,223	(1,153)
Total highways and public improvements	\$ 2,583,220	\$ 2,576,470	\$ 2,289,722	\$ 286,748
Community				
Parks	\$ 96,050	\$ 126,050	\$ 114,057	\$ 11,993
Total parks, recreation and public property	\$ 96,050	\$ 126,050	\$ 114,057	\$ 11,993
Intergovernmental expenditures:				
Contributions to other governmental units	\$ 543,800	\$ 543,800	\$ 332,929	\$ 210,871
Total intergovernmental expenditures	\$ 543,800	\$ 543,800	\$ 332,929	\$ 210,871
Total expenditures	\$ 12,240,950	\$ 12,885,025	\$ 12,112,205	\$ 772,820
Excess of revenue over (under) expenditures	\$ 2,371,550	\$ 2,371,550	\$ 2,174,778	\$ (196,772)
OTHER FINANCING SOURCES (USES):				
Transfers (out)	\$ (2,371,550)	\$ (2,371,550)	\$ (2,854,937)	\$ (483,387)
CDA - sales tax distribution				
Total other financing sources (uses)	\$ (2,371,550)	\$ (2,371,550)	\$ (2,854,937)	\$ (483,387)
Excess of revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	\$ (680,159)	\$ (680,159)
Fund balances - beginning of year			6,645,790	6,645,790
Fund balances - end of year	\$...	\$...	\$ 5,965,631	\$ 5,965,631

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

**VERNAL CITY CORPORATION
AIRPORT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025**

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental - fuel tax	\$ 14,000	\$ 14,000	\$ 10,877	\$ (3,123)
Charges for services	96,000	96,000	119,518	23,518
Total governmental revenues	\$ 110,000	\$ 110,000	\$ 130,395	\$ 20,395
Miscellaneous				
Contributions	\$ 600,000	\$ 600,000	\$ 600,000	\$ -
Miscellaneous	500	500	930	430
Total miscellaneous	\$ 600,500	\$ 600,500	\$ 600,930	\$ 430
Total revenues	\$ 710,500	\$ 710,500	\$ 731,325	\$ 20,825
EXPENDITURES				
Current:				
Public works				
Airport operations	\$ 2,030,150	\$ 11,876,500	\$ 10,253,293	\$ 1,623,207
Total public safety	\$ 2,030,150	\$ 11,876,500	\$ 10,253,293	\$ 1,623,207
Total expenditures	\$ 2,030,150	\$ 11,876,500	\$ 10,253,293	\$ 1,623,207
Excess of revenue over (under) expenditures	\$ (1,319,650)	\$ (11,166,000)	\$ (9,521,968)	\$ 1,644,032
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 200,000	\$ 200,000	\$ 200,000	
Transfers (out)				
Grant proceeds	516,000	10,566,000	9,348,165	\$ (1,217,835)
Total other financing sources (uses)	\$ 716,000	\$ 10,766,000	\$ 9,548,165	(1,217,835)
Excess of revenue and other sources over (under) expenditures and other uses	\$ (603,650)	\$ (400,000)	\$ 26,197	\$ 426,197
Fund balances - beginning of year	603,650	400,000	872,856	472,856
Fund balances - end of year	\$...	\$...	\$ 899,053	\$ 899,053

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

VERNAL CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2025

	Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of its covered-employee payroll
Noncontributory Retirement System	2015	0.2427067%	1,373,353	1,974,213	69.56%	87.8%
	2016	0.2343813%	1,505,015	1,972,804	76.29%	87.3%
	2017	0.2161302%	946,931	1,804,826	52.47%	91.9%
	2018	0.2034997%	1,498,516	1,722,130	87.02%	87.0%
	2019	0.1971378%	742,986	1,691,044	43.94%	93.7%
	2020	0.1756317%	90,089	1,464,070	6.15%	99.2%
	2021	0.1646487%	(942,961)	1,356,292	-69.52%	105.7%
	2022	0.1598827%	273,839	1,334,610	20.52%	97.5%
	2023	0.1565137%	363,044	1,275,574	28.46%	96.9%
	2024	0.1577761%	500,326	1,302,975	38.40%	96.0%
Contributory Retirement System	2015	0.5149740%	361,828	219,348	164.96%	85.7%
	2016	0.6532980%	218,302	159,639	136.75%	92.9%
	2017	0.7940805%	64,618	161,131	40.10%	98.2%
	2018	0.8576699%	348,045	160,530	216.81%	91.2%
	2019	0.9288199%	60,872	166,438	36.57%	98.6%
	2020	0.5563504%	(99,710)	91,773	-108.65%	103.9%
	2021	0.0000000%	-	-	0.00%	0.0%
	2022	0.0000000%	-	-	0.00%	0.0%
	2023	0.0000000%	-	-	0.00%	0.0%
	2024	0.0000000%	-	-	0.00%	0.0%
Public Safety System	2015	0.7540264%	1,350,651	1,224,907	110.27%	87.1%
	2016	0.7226660%	1,466,489	1,183,433	123.92%	86.5%
	2017	0.6898284%	1,082,105	1,140,479	94.88%	90.2%
	2018	0.6727411%	1,730,684	1,109,681	155.96%	84.7%
	2019	0.6000384%	963,432	994,847	96.84%	90.9%
	2020	0.5085624%	422,229	881,791	47.87%	95.5%
	2021	0.4552140%	(369,699)	815,416	-45.34%	104.2%
	2022	0.4245970%	549,036	728,997	75.31%	93.6%
	2023	0.4632261%	662,489	774,986	85.48%	96.4%
	2024	0.4477410%	692,790	723,811	95.71%	93.3%
Tier 2 Public Employees Retirement System	2015	0.5298860%	(116)	342,333	-0.30%	100.2%
	2016	0.0407486%	4,545	334,173	1.36%	95.1%
	2017	0.0392637%	3,462	384,281	0.90%	97.4%
	2018	0.0381442%	16,336	444,765	3.67%	90.8%
	2019	0.0406055%	9,132	564,299	1.62%	96.5%
	2020	0.0388900%	5,593	621,638	0.90%	98.3%
	2021	0.0349490%	(14,792)	648,264	-2.28%	103.8%
	2022	0.0340864%	37,116	744,115	4.99%	92.3%
	2023	0.0376359%	73,254	973,017	7.53%	89.6%
	2024	0.0344251%	102,669	1,020,627	10.06%	87.4%
Tier 2 Public Safety and Firefighters Retirement	2015	0.7396150%	(1,081)	43,996	-2.46%	110.7%
	2016	0.0937729%	(814)	77,478	-1.05%	103.6%
	2017	0.1084463%	(1,255)	114,528	-1.10%	103.0%
	2018	0.0882044%	2,210	117,692	1.88%	95.6%
	2019	0.1330092%	12,511	219,217	5.71%	89.6%
	2020	0.1259325%	11,295	252,073	4.48%	93.1%
	2021	0.1584588%	(8,009)	378,935	-2.11%	102.8%
	2022	0.1932626%	16,123	594,626	2.71%	96.4%
	2023	0.2096070%	78,957	794,229	9.94%	89.1%
	2024	0.2151454%	97,308	982,078	9.91%	90.1%

* In accordance with paragraph 81.a GASB 68, employers will need to disclose a 10-year history of their proportionate share of the net pension liability (asset) in their RSI.

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

VERNAL CITY
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2025

	As of Fiscal Year Ended June 30,	Actuarial Determined Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Noncontributory System	2016	369,167	369,167		1,998,742	18.47%
	2017	352,041	352,041		1,906,001	18.47%
	2018	320,204	320,204		1,733,642	18.47%
	2019	314,469	314,469		1,704,406	18.45%
	2020	302,699	302,699		1,638,868	18.47%
	2021	247,251	247,251		1,340,276	18.45%
	2022	247,405	247,405		1,340,261	18.46%
	2023	231,840	231,840		1,292,283	17.94%
	2024	229,071	229,071		1,297,374	17.66%
	2025	220,627	220,627		1,337,802	16.49%
Contributory System	2016	27,158	27,158		187,816	14.46%
	2017	23,259	23,259		160,854	14.46%
	2018	22,863	22,863		158,112	14.46%
	2019	23,876	23,876		165,116	14.46%
	2020	23,788	23,788		164,809	14.43%
	2021	2,150	2,150		14,869	14.46%
	2022	-	-	-	-	0.00%
	2023	-	-	-	-	0.00%
	2024	-	-	-	-	0.00%
	2025	-	-	-	-	0.00%
Public Safety System	2016	383,314	383,314		1,228,039	31.21%
	2017	356,823	356,823		1,153,832	30.93%
	2018	347,882	347,882		1,129,080	30.81%
	2019	318,767	318,767		1,050,022	30.36%
	2020	280,678	280,678		945,543	29.68%
	2021	233,850	233,850		869,400	26.90%
	2022	181,695	181,695		738,938	24.59%
	2023	193,900	193,900		693,395	27.96%
	2024	202,021	202,021		769,875	26.24%
	2025	185,289	185,289		761,087	24.35%
Tier 2 Public Employees System*	2016	51,318	51,318		344,188	14.91%
	2017	52,681	52,681		353,326	14.91%
	2018	60,906	60,906		403,291	15.10%
	2019	79,548	79,548		503,258	15.81%
	2020	93,362	93,362		596,181	15.66%
	2021	99,401	99,401		628,377	15.82%
	2022	115,752	115,752		720,301	16.07%
	2023	130,151	130,151		812,831	16.01%
	2024	176,627	176,627		1,103,231	16.01%
	2025	162,547	162,547		1,070,087	15.19%
Tier 2 Public and Firefighters System*	2016	9,652	9,652		40,795	23.66%
	2017	28,238	28,238		119,348	23.66%
	2018	24,617	24,617		103,747	23.73%
	2019	41,067	41,067		169,350	24.25%
	2020	60,264	60,264		249,689	24.14%
	2021	69,162	69,162		256,250	26.99%
	2022	135,378	135,378		501,585	26.99%
	2023	184,912	184,912		685,111	26.99%
	2024	247,155	247,155		915,727	26.99%
	2025	277,905	277,905		1,049,095	26.49%
Tier 2 Public Employees DC Only System*	2016	12,768	12,768		190,856	6.69%
	2017	12,382	12,382		185,084	6.69%
	2018	12,257	12,257		183,208	6.69%
	2019	5,886	5,886		87,981	6.69%
	2020	6,961	6,961		104,042	6.69%
	2021	13,633	13,633		199,099	6.85%
	2022	22,123	22,123		319,474	6.92%
	2023	29,075	29,075		468,639	6.20%
	2024	42,900	42,900		693,047	6.19%
	2025	47,282	47,282		900,164	5.25%
Tier 2 Public Safety and Firefighter DC Only System*	2016	-	-		-	0.00%
	2017	-	-		-	0.00%
	2018	177	177		1,364	12.99%
	2019	2,554	2,554		19,664	12.99%
	2020	3,164	3,164		24,358	12.99%
	2021	1,968	1,968		15,153	12.99%
	2022	-	-	-	-	0.00%
	2023	-	-	-	-	0.00%
	2024	-	-	-	-	0.00%
	2025	924	924		7,402	12.49%

* 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.

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

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

VERNAL CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2025

CHANGES IN ASSUMPTIONS:

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

VERNAL CITY
Supplementary Information

**VERNAL CITY CORPORATION
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

	SPECIAL REVENUE FUND		CAPITAL PROJECTS FUNDS			
	NARCOTICS STRIKE FORCE	UCVC INTERLOCAL AGENCY	CITY PARK GREEN SPACE	EQUIPMENT REPLACE- MENT	HOUSING REHABILITATION	VITALIZATION FUND
<u>ASSETS</u>						
Cash and cash equivalents		\$ 1,746	\$ 131,927	\$ 1,015,336	\$ 265	\$ 370,202
Restricted: cash and cash equivalents	\$ 240,099					
Assessments receivable						
Accounts receivable						
Due from other governments	12,865					
Total assets	<u>\$ 252,964</u>	<u>\$ 1,746</u>	<u>\$ 131,927</u>	<u>\$ 1,015,336</u>	<u>\$ 265</u>	<u>\$ 370,202</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Cash deficit						
Accounts payable	\$ 411		\$ 24,730			
Accrued liabilities	12,838					
Deferred revenue						
Total liabilities	<u>\$ 13,249</u>	<u>\$...</u>	<u>\$ 24,730</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>
Fund balances:						
Restricted:						
Capital projects fund						
Committed:						
Special revenue funds	\$ 239,715	\$ 1,746				
Assigned:						
Capital project funds			\$ 107,197	\$ 1,015,336	\$ 265	\$ 370,202
Total fund balances	<u>\$ 239,715</u>	<u>\$ 1,746</u>	<u>\$ 107,197</u>	<u>\$ 1,015,336</u>	<u>\$ 265</u>	<u>\$ 370,202</u>
Total liabilities and fund balance	<u>\$ 252,964</u>	<u>\$ 1,746</u>	<u>\$ 131,927</u>	<u>\$ 1,015,336</u>	<u>\$ 265</u>	<u>\$ 370,202</u>

SCHEDULE 5
(Continued)

VERNAL CITY CORPORATION
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	CAPITAL PROJECTS FUNDS					TOTAL NONMAJOR GOVERNMENTAL FUNDS
	EMERGENCY PREPAREDNESS FUND	MUNICIPAL BUILDING PROJECT	CITY STORM DRAIN PROJECT	STREET CONSTRUCTION	DEBT SERVICE FUND	
<u>ASSETS</u>						
Cash and cash equivalents	\$ 10,971	\$ 1,471,315	\$ 18,149	\$ 36,529		\$ 3,056,440
Restricted: Cash and cash equivalents					\$ 503,112	743,211
Assessments receivable					17,729	17,729
Accounts receivable						
Due from other governments						12,865
Total assets	<u>\$ 10,971</u>	<u>\$ 1,471,315</u>	<u>\$ 18,149</u>	<u>\$ 36,529</u>	<u>\$ 520,841</u>	<u>\$ 3,830,245</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable						\$ 25,141
Accrued liabilities						12,838
Deferred revenue					\$ 10,248	10,248
Total liabilities	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 10,248</u>	<u>\$ 48,227</u>
Fund balances:						
Restricted:						
Debt service fund					\$ 510,593	\$ 510,593
Committed:						
Special revenue funds						241,461
Assigned:						
Capital project funds	<u>\$ 10,971</u>	<u>\$ 1,471,315</u>	<u>18,149</u>	<u>\$ 36,529</u>		<u>3,029,964</u>
Total fund balances	<u>\$ 10,971</u>	<u>\$ 1,471,315</u>	<u>\$ 18,149</u>	<u>\$ 36,529</u>	<u>\$ 510,593</u>	<u>\$ 3,782,018</u>
Total liabilities and fund balance	<u>\$ 10,971</u>	<u>\$ 1,471,315</u>	<u>\$ 18,149</u>	<u>\$ 36,529</u>	<u>\$ 520,841</u>	<u>\$ 3,830,245</u>

VERNAL CITY CORPORATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	SPECIAL REVENUE FUND		CAPITAL PROJECTS FUNDS			
	NARCOTICS STRIKE FORCE	UCVC INTERLOCAL AGENCY	CITY PARK GREEN SPACE	EQUIPMENT REPLACE- MENT	HOUSING REHABILITATION	VITALIZATION FUND
REVENUES:						
Intergovernmental revenue	\$ 155,075					
Charges for services						
Assessments revenue						\$ 246,689
Contributions						
Miscellaneous	1,719					
Investment earnings	6,962		\$ 6,101	\$ 12,151		
Total revenues	\$ 163,756	\$...	\$ 6,101	\$ 12,151	\$...	\$ 246,689
EXPENDITURES:						
Public safety	\$ 165,753					
Community			\$ 50,556			
Capital outlay				\$ 189,514		
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	\$ 165,753	\$...	\$ 50,556	\$ 189,514	\$...	\$ -
Excess of revenues over (under) expenditures	\$ (1,997)	\$...	\$ (44,455)	\$ (177,363)	\$...	\$ 246,689
Other financing sources (uses):						
Transfers in			\$ 62,733	\$ 595,000		
Transfers out						
Total other financing sources (uses)	\$...	\$...	\$ 62,733	\$ 595,000	\$...	\$...
Excess of revenues and other sources over (under) expenditures and other uses	\$ (1,997)	\$...	\$ 18,278	\$ 417,637	\$...	\$ 246,689
Fund Balances - Beginning of year	241,712	1,746	88,919	597,699	265	123,513
Fund Balances - End of year	\$ 239,715	\$ 1,746	\$ 107,197	\$ 1,015,336	\$ 265	\$ 370,202

VERNAL CITY CORPORATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	CAPITAL PROJECTS FUNDS					TOTAL NONMAJOR GOVERNMENTAL FUNDS
	EMERGENCY PREPAREDNESS FUND	MUNICIPAL BUILDING PROJECT	CITY STORM DRAIN PROJECT	STREET CONSTRUCTION	DEBT SERVICE FUND	
REVENUES:						
Intergovernmental revenue						\$ 155,075
Charges for services						-
Assessment revenue						246,689
Contributions						-
Miscellaneous						1,719
Investment earnings	\$ 4,365	\$ 33,908	\$ 7,918	\$ 8,874	\$ 16,253	96,532
Total revenues	\$ 4,365	\$ 33,908	\$ 7,918	\$ 8,874	\$ 16,253	\$ 500,015
EXPENDITURES:						
Public safety						\$ 165,753
Community						50,556
Capital outlay						189,514
Debt service:						
Principal retirement					\$ 65,000	65,000
Interest and fiscal charges					3,050	3,050
Total expenditures	\$...	\$...	\$...	\$...	\$ 68,050	\$ 473,873
Excess of revenues over (under) expenditures	\$ 4,365	\$ 33,908	\$ 7,918	\$ 8,874	\$ (51,797)	\$ 26,142
Other financing sources (uses):						
Transfers in					\$ 31,050	\$ 688,783
Transfers (out)						-
Total other financing sources (uses)	\$...	\$...	\$...	\$...	\$ 31,050	\$ 688,783
Excess of revenues and other sources over (under) expenditures and other uses	\$ 4,365	\$ 33,908	\$ 7,918	\$ 8,874	\$ (20,747)	\$ 714,925
Fund Balances - Beginning of year	6,606	1,437,407	10,231	27,655	531,340	3,067,093
Fund Balances - End of year	\$ 10,971	\$ 1,471,315	\$ 18,149	\$ 36,529	\$ 510,593	\$ 3,782,018

VERNAL CITY CORPORATION
COMBINING SCHEDULE OF REVENUES AND EXPENSES
UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2025

				TOTALS	
	WATER DEPT.	SEWER DEPT.	SOLID WASTE DEPT.	JUNE 30, 2025	JUNE 30, 2024
OPERATING REVENUES:					
Charges for services	\$ 3,173,877	\$ 2,198,560	\$ 532,455	\$ 5,904,892	\$ 5,570,462
Total revenues	\$ 3,173,877	\$ 2,198,560	\$ 532,455	\$ 5,904,892	\$ 5,570,462
OPERATING EXPENSES:					
Wages and benefits	\$ 683,319	\$ 89,818		\$ 773,137	\$ 641,414
Services and supplies	1,726,718	1,099,563	\$ 419,606	3,245,887	4,070,005
Depreciation	592,157	243,605		835,762	843,177
Total operating expenses	\$ 3,002,194	\$ 1,432,986	\$ 419,606	\$ 4,854,786	\$ 5,554,596
Net income (loss) from operations	\$ 171,683	\$ 765,574	\$ 112,849	\$ 1,050,106	\$ 15,866
NON-OPERATING REVENUES (EXPENSES):					
Interest earnings	\$ 136,373	\$ 10,657		\$ 147,030	\$ 179,700
Impact fees	21,000	63,500		84,500	77,875
Miscellaneous	62,739	6,270		69,009	14,340
Joint venture income (loss)		198,393		198,393	155,121
Grant	120,425				
Interest expense					(2,887)
Total non-operating revenue (expenses)	\$ 340,537	\$ 278,820	\$...	\$ 498,932	\$ 424,149
NET INCOME (LOSS)	\$ 512,220	\$ 1,044,394	\$ 112,849	\$ 1,549,038	\$ 440,015

VERNAL CITY CORPORATION
COMPARATIVE BALANCE SHEET
GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	JUNE 30, 2025	JUNE 30, 2024
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,466,897	\$ 5,483,815
Restricted: cash and cash equivalents	81,253	76,404
Accounts receivable	440,147	436,011
Due from other governmental units	1,707,947	1,650,170
Taxes receivable	385,235	193,170
Prepaid expense	5,000	5,000
Total assets	\$ 7,086,479	\$ 7,844,570
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 428,233	\$ 350,608
Accrued wages payable	161,027	145,193
Accrued liabilities	55,020	50,627
Escrow and retainage	41,848	37,328
Deferred revenue		182,334
Total liabilities	\$ 686,128	\$ 766,090
Deferred inflows of resources	\$ 434,720	\$ 427,067
Total liabilities and deferred inflows of resources	\$ 1,120,848	\$ 1,193,157
Fund Balances:		
Nonspendable:		
Prepaid expenditures	\$ 5,000	\$ 5,000
Committed:		
Compensated absences	409,315	354,687
Unassigned:		
General fund	5,551,316	6,286,103
Total fund equity	\$ 5,965,631	\$ 6,645,790
Total liabilities, deferred inflows of resources and fund balance	\$ 7,086,479	\$ 7,838,947

VERNAL CITY CORPORATION
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
WATER DEPARTMENT
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	JUNE 30, 2025	JUNE 30, 2024
OPERATING REVENUES:		
Charges for service	\$ 3,173,877	\$ 2,991,097
Total operating revenues	\$ 3,173,877	\$ 2,991,097
OPERATING EXPENSES:		
Wages and benefits	\$ 683,319	\$ 568,498
Services and supplies	1,726,718	2,096,602
Depreciation	592,157	605,510
Total operating expenses	\$ 3,002,194	\$ 3,270,610
NET INCOME (LOSS) FROM OPERATIONS	\$ 171,683	\$ (279,513)
NON-OPERATING REVENUES (EXPENSES):		
Interest expense		\$ (2,887)
Grant	\$ 120,425	
Interest earnings	136,373	179,700
Impact fees	21,000	29,250
Miscellaneous	62,739	8,070
Total non-operating revenues	\$ 340,537	\$ 214,133
NET INCOME (LOSS)	\$ 512,220	\$ (65,380)

VERNAL CITY CORPORATION
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
SEWER DEPARTMENT
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	JUNE 30, 2025	JUNE 30, 2024
OPERATING REVENUES:		
Charges for service	\$ 2,198,560	\$ 2,050,537
Total operating revenues	\$ 2,198,560	\$ 2,050,537
OPERATING EXPENSES:		
Wages and benefits	\$ 89,818	\$ 72,916
Services and supplies	1,099,563	1,457,525
Depreciation	243,605	237,667
Total operating expenses	\$ 1,432,986	\$ 1,768,108
NET INCOME (LOSS) FROM OPERATIONS	\$ 765,574	\$ 282,429
NON-OPERATING REVENUES (EXPENSES):		
Interest earnings	\$ 10,657	
Impact fees	63,500	\$ 48,625
Joint venture income (loss)	198,393	155,121
Interest expense		
Miscellaneous	6,270	6,270
Total non-operating revenues (expenses)	\$ 278,820	\$ 210,016
NET INCOME (LOSS)	\$ 1,044,394	\$ 492,445

VERNAL CITY CORPORATION
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
SOLID WASTE DEPARTMENT
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	JUNE 30, 2025	JUNE 30, 2024
OPERATING REVENUES:		
Charges for service	\$ 532,455	\$ 528,828
Total operating revenues	\$ 532,455	\$ 528,828
OPERATING EXPENSES:		
Services and supplies	\$ 419,606	\$ 515,878
Total operating expenses	\$ 419,606	\$ 515,878
NET INCOME (LOSS) FROM OPERATIONS	\$ 112,849	\$ 12,950
NON-OPERATING REVENUES:		
Miscellaneous		
Total non-operating revenues	\$...	\$...
NET INCOME (LOSS)	\$ 112,849	\$ 12,950

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • Fax (435) 637-8708

Honorable Mayor and Members of the City Council
Vernal City Corporation
Vernal, Utah 84078

RE: 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

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 Standard 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 Vernal City Corporation as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Vernal City Corporation's basic financial statements and have issued our report thereon dated February 27, 2026. Our report includes a reference to other auditors who audited the financial statements of Ashley Valley Sewer Management Board, which the City has a one third equity position, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on solely by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we considered to be significant deficiencies, listed as items 2025-1, 2025-2 and 2025-3.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying findings and questioned costs, as items 2025-1, 2025-2 and 2025-3.

Purpose of this Report

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

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing".

Price, Utah

February 27, 2026

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • Fax (435) 637-8708

Honorable Mayor and Members of the City Council
Vernal City Corporation
Vernal, Utah 84078

RE: Independent Auditor's Report on Compliance
For Each Major Program and on Internal
Control Over Compliance; and Report on Schedule
of Expenditures of Federal Awards Required By
The Uniform Guidance

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Vernal City Corporation'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Vernal City Corporation's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing".

Price, Utah

February 27, 2026

VERNAL CITY CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	ASSISTANCE	GRANTOR'S NUMBER	CONTRACT	CASH/ACCRUED (DEFERRED)	RECEIPTS	DISBURSEMENTS/ EXPENDITURES
	LISTING NUMBER		OR AWARD AMOUNT	JUNE 1 2024	OR REVENUE RECOGNIZED	
U.S. DEPARTMENT OF TREASURY						
Direct Program:						
Coronavirus State/Local recovery - ARPA	21.027	ARPA Funds 22/23	\$ 1,235,344		\$ 182,333	\$ 182,333
U.S. DEPARTMENT OF JUSTICE						
Passed through State Department of Victims of Criminal Activity						
Criminal & Juvenile - JAG LLEGB	16.738		\$ 4,000		\$ 3,185	\$ 3,185
U.S. DEPARTMENT OF TRANSPORTATION						
Direct Program:						
Federal Airport Improvement grants - Taxilane	20.106		\$ 2,047,998		\$ 1,945,598	\$ 1,945,598 *
Federal Airport Improvement grants - Apron	20.106		434,982		371,620	371,620 *
Alternate Essential Air Service Program	20.901		19,089,758		7,022,329	7,022,329 *
Total US Department of Transportation			\$ 21,572,738	\$...	\$ 9,339,547	\$ 9,339,547
U.S. DEPARTMENT OF HOMELAND SECURITY						
Passed through State Department of HLS						
Emergency Management - SHSP	97.067		\$ 10,000		\$ 2,658	\$ 2,658
TOTAL FEDERAL ASSISTANCE			\$ 22,822,082	\$...	\$ 9,527,723	\$ 9,527,723

* Denotes programs tested as major programs

VERNAL CITY CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2025

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of program activity of Vernal City Corporation's federal award programs and does not necessarily present transactions that would be included in financial statements of the City presented on the modified accrual basis of accounting, as contemplated by generally accepted accounting principles.

Vernal City Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for expenses of Vernal City Corporation, which is described in Note 1 of the financial statements.

**VERNAL CITY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Vernal City Corporation.
2. There were three significant deficiencies, but no material weaknesses disclosed in internal control by the audit over the financial statements.
3. No instances of noncompliance material to the financial statements of Vernal City Corporation were disclosed by the audit.
4. There were no significant deficiencies and no material weaknesses in internal control over major programs disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs for Vernal City Corporation expresses an unmodified opinion.
6. The audit of Vernal City Corporation's major programs disclosed no audit findings relating to major programs that the auditor is required to report.
7. The programs tested as major programs included:

<u>Program</u>	<u>Assistance Listing Number</u>
Alternate essential Air Service Program	20.901
Federal Airport Improvement Grants	20.106

8. The threshold for distinguishing Type A programs was \$750,000.
9. Vernal City Corporation was determined to be a high-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

FINDING 2025-1: UNTIMELY ACCOUNT RECONCILIATIONS

Criteria:

Sound financial management practices and internal control standards require that all bank and general ledger accounts be reconciled on a timely basis—typically monthly—to ensure the accuracy, completeness, and reliability of financial information. Timely reconciliations are also necessary to detect errors, irregularities, or unauthorized transactions promptly.

Condition:

The City did not complete certain account reconciliations in a timely manner during the fiscal year. Several reconciliations were performed months after the related period had closed, and some were not completed until year-end.

FINDING 2025-1: UNTIMELY ACCOUNT RECONCILIATION (Continued)

Cause:

The City experienced staffing transitions, and those in key positions were not replaced in a timely manner to ensure that reconciliations were completed consistently each month. Additionally, new personnel were still becoming familiar with the City's accounting system and reporting requirements.

Effect:

Untimely reconciliations increase the risk that errors, misstatements, or irregularities may go undetected for extended periods. This can lead to inaccurate financial reporting, delays in decision-making, and weakened internal controls over financial operations.

Recommendation:

We recommend the City implement formal procedures requiring all bank and general ledger accounts to be reconciled monthly and reviewed by appropriate supervisory personnel. Establishing a reconciliation calendar and assigning clear responsibilities can help ensure timely completion.

City's Response:

The City acknowledges the delay in completing account reconciliations and is implementing procedures to ensure reconciliations are performed monthly going forward. Staff will receive additional training, and management will monitor compliance with the new process.

FINDING 2025-2: DEFICIT FUND BALANCE

Criteria:

Utah State Compliance Audit Guide, **Chapter 1, Section C – Fund Balance**, requires that governmental entities maintain fund balances in accordance with Utah Code. This section specifies that governmental funds **may not end the fiscal year with a deficit fund balance** and that entities must adopt and manage budgets to ensure resources are sufficient to cover expenditures.

Condition:

At year-end, the City reported a deficit fund balance in the **Capital Projects fund**. The fund's available financial resources were insufficient to cover expenditures incurred during the fiscal year, resulting in a negative ending fund balance.

Cause:

The deficit fund balance resulted from expenditures exceeding available revenues and beginning fund balance. Contributing factors included insufficient budget monitoring, delays in making necessary budget amendments, and limited oversight to ensure spending remained within available resources.

FINDING 2025-2: DEFICIT FUND BALANCE (Continued)

Effect:

A deficit fund balance is noncompliant with the requirements outlined in Chapter 1, Section C of the Utah State Compliance Audit Guide. This condition weakens the City's financial position, may impair its ability to meet future obligations, and increases the risk of cash flow challenges, borrowing needs, or additional state oversight.

Recommendation:

We recommend the City strengthen its budget monitoring processes to ensure expenditures do not exceed available resources. The City should develop a corrective plan to eliminate the deficit fund balance and ensure future compliance with Utah State fund balance requirements.

City's Response:

The City acknowledges the deficit fund balance and will take corrective action to restore the fund to a positive balance. Management will improve budget oversight and ensure compliance with the fund balance requirements outlined in Chapter 1, Section C of the Utah State Compliance Audit Guide.

FINDING 2025-3: EXPENDITURES EXCEEDED FINAL BUDGET APPROPRIATIONS

Criteria:

For the fiscal year ended, the City's actual expenditures exceeded the amounts appropriated in its **final adopted budget** for one or more funds/departments. The City did not process a budget amendment to increase appropriations before year-end.

Cause:

The City did not adequately monitor expenditures throughout the year and did not amend the budget when it became apparent that spending would exceed appropriated amounts. Contributing factors included limited oversight, staffing transitions, and unfamiliarity with state budgetary compliance requirements.

Effect:

Expenditures in excess of the final budget appropriations constitute noncompliance with Utah State budgetary requirements. This increases the risk of misstated financial information, reduces transparency, and may subject the City to additional scrutiny or corrective action from oversight bodies.

Recommendation:

We recommend the City strengthen its budget monitoring procedures to ensure expenditures remain within appropriated limits. The City should review budget-to-actual reports regularly and adopt timely budget amendments when necessary to comply with Utah State requirements.

FINDING 2025-3: EXPENDITURES EXCEEDED FINAL BUDGET APPROPRIATIONS

City's Response:

The City acknowledges the overspending and will implement improved monitoring procedures to ensure expenditures do not exceed appropriated amounts. Management will review budget-to-actual reports more frequently and make budget amendments as needed to ensure compliance with Chapter 1 of the Utah State Compliance Audit Guide.

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

**VERNAL CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS
AUDIT JUNE 30, 2025**

Vernal City reported the following audit findings in the previous audit report. The status of these prior audit findings are as follows:

FINDING 2024-1 UNRESTRICTED (COMMITTED, ASSIGNED AND UNASSIGNED) GENERAL FUND BALANCE EXCEEDS LIMITATIONS

Criteria:

Governmental compliance requirements state that the General Fund of the Municipality cannot exceed 35% of total revenue for the General Fund.

Item has been corrected.

FINDING 2024-2 EXPENDITURES IN EXCESS OF BUDGET

Statement of Condition:

During the fiscal year ended June 30, 2024 the City overspent its adopted budget for the General Fund in the following departments – Mayor and Council, Finance, Government Facilities, Planning and Community Development, Police, CDA – Sales tax distribution and Transfers to other funds. The City also overspent its adopted budget for the Airport Fund and a few other special revenue and capital project funds.

Item has not been corrected – see finding 2025-3.

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • Fax (435) 637-8708

Honorable Mayor and Members of the City Council
Vernal City Corporation
Vernal, Utah 84078

RE: Independent Auditor's Report on Compliance
and Report on Internal Controls Over
Compliance as Required by the
State Compliance Audit Guide

Report On Compliance

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

Justice Courts
Open and Public Meetings Act
Impact Fees
Fraud Risk Assessment
Public Treasurer's Bond

Restricted Taxes and Related Revenues
Budgetary Compliance
Fund Balance
Governmental Fees
Cash Management

Opinion on Compliance

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

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 audit requirements outlined in the *State Compliance Audit Guide* (Guide). 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 Vernal City Corporation 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 Vernal City Corporation'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 Vernal City Corporation's government programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Vernal City Corporation'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 Vernal City Corporation's compliance with the requirements referred to above as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Vernal City Corporation'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 Vernal City Corporation'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 Vernal City Corporation'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 instances of noncompliance, which are required to be reported in accordance with the Guide, and which are described in the accompanying schedule of findings and questioned costs as items 2025-1, 2025-2 and 2025-3. Our opinion on compliance is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Vernal City Corporation's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Vernal City Corporation'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

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

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 type of 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 type of 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, items 2025-1, 2025-2 and 2025-3, as items to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Vernal City Corporation's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Vernal City Corporation'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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the 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

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Samin, Rich & Marsing".

Price, Utah

February 27, 2026