

City of Sunset, Utah Financial Report



Year Ended
June 30, 2025

SUNSET CITY CORPORATION
Year Ended June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council of
Sunset City

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sunset City, 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 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 Sunset City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Sunset City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 Sunset City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunset City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the proportionate share of net pension liability, the schedule of contributions, and the notes to the required supplementary information on pages 3-8 and 45-50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2026, on our consideration of Sunset City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sunset City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sunset City's internal control over financial reporting and compliance.

Child Richards CPAs & Advisors

Ogden, Utah
February 2, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

**SUNSET CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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

FINANCIAL HIGHLIGHTS

- The City's Governmental net position has a net increase of \$1,477,373 due to a \$674,094 increase in improvements, infrastructure and equipment assets and fund expenditures being less than revenues received.
- Expenditures exceeded revenues by \$847,944 in the general fund and revenues exceeded expenditures by \$1,092,453 in total governmental funds.
- Business-type activities net position increased by \$203,372 due to generating funds for infrastructure projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to Sunset City's Basic Financial Statements. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes other supplementary information in addition to the Basic Financial Statements.

The government-wide financial statements are designed to provide readers with a broad overview of Sunset City's finances in a manner similar to a private-sector business and consist of the Statement of Net Position and the Statement of Activities. The Statement of Net Position presents the overall net position of the City. Over time, increases or decreases in the net position may serve as a useful indicator of the City's financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental-type activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Sunset City's business-type activities include water, sewer, garbage and storm water operations.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to maintain control over resources that are kept separate and used for a specific activity or objective. Some funds are required by law to exist, while others are established internally to maintain control over a stated purpose. All of the City's funds are divided into three categories; Governmental funds, Proprietary funds and Agency funds. Each fund uses a different accounting approach.

Governmental Funds – Most of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund information helps readers determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. The City has 13 governmental funds. They are the General, CDBG Capital Project, Public Works Capital Project, Economic Development Capital Project, Class C Road, Dispatch/Animal Control Fees, Emergency Preparedness, Liquor Control, DARE, Youth City Council, Miscellaneous Grants, Retirement Insurance Premium, and Local County Option Hwy/Transit funds. The last 9 are reported under the General Fund in the financial statements and are separated internally for tracking purposes.

Proprietary Funds – Sunset City maintains one type of proprietary fund. The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water, sewer, garbage and storm water services.

Agency Funds – Sunset City has one agency fund. These funds are being held as a reward for information leading to the arrest and conviction of a suspect in the murder of Rachael Runyan.

Notes to the Financial Statements

The notes found within these financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide and the fund financial statements.

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FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The largest portion of Sunset City's net position, 68.3%, reflects investments in capital assets (land, buildings, equipment and other improvements) net of outstanding debt that was issued to purchase those assets. 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 readily liquidated to pay off the related liabilities.

Restricted net assets comprise 8.7% of the total net position and are to be used only by their specified activities. The remaining 23.0% of net position is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

	Governmental Activities		Business-type Activities		Total	
	June 30	June 30	June 30	June 30	June 30	June 30
	2025	2024, as restated	2025	2024, as restated	2025	2024, as restated
Current & other assets	\$ 5,516,052	\$ 3,511,426	\$ 473,330	\$ 1,476,552	\$ 5,989,382	\$ 4,987,978
Capital assets	4,164,282	3,687,811	4,818,344	4,352,337	8,982,626	8,040,148
Deferred outflows of resources	386,436	375,993	113,379	110,260	499,815	486,253
Total assets and deferred outflows	10,066,770	7,575,230	5,405,053	5,939,149	15,471,823	13,514,379
Current & other liabilities	484,494	583,584	185,816	266,251	670,310	849,835
Long-term liabilities	260,728	-	63,840	747,289	324,568	747,289
Net pension liability	429,324	334,669	123,299	95,026	552,623	429,695
Total liabilities	1,174,546	918,253	372,955	1,108,566	1,547,501	2,026,819
Deferred inflows of resources	765,260	7,386	4,265	6,122	769,525	13,508
Total liabilities and deferred inflows	765,260	7,386	4,265	6,122	769,525	13,508
Net position:						
Net investment in capital assets	4,164,282	3,687,811	4,818,344	3,544,059	8,982,626	7,231,870
Restricted	1,139,677	1,983,433	-	-	1,139,677	1,983,433
Unrestricted	2,823,005	978,347	209,489	1,280,402	3,032,494	2,258,749
Total net position	<u>\$ 8,126,964</u>	<u>\$ 6,649,591</u>	<u>\$ 5,027,833</u>	<u>\$ 4,824,461</u>	<u>\$ 13,154,797</u>	<u>\$ 11,474,052</u>

Changes in Net Position

The City's combined net position increased by \$1,680,745 or 41.8% over the prior year. The net position of governmental activities increased by \$1,477,373 while the net position of business-type activities increased by \$203,372. The following charts summarize the City's revenues and expenses relative to each other and to the prior year.

	Governmental Activities		Business-type Activities		Total	
	June 30	June 30	June 30	June 30	June 30	June 30
	2025	2024, as restated	2025	2024, as restated	2025	2024, as restated
Revenues:						
Program revenues:						
Charges for services	\$ 719,936	\$ 695,341	\$ 2,582,512	\$ 2,265,027	\$ 3,302,448	\$ 2,960,368
Operating grants and contributions	521,621	400,453	-	-	521,621	400,453
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Taxes	1,909,586	2,159,690	-	-	1,909,586	2,159,690
Other	1,590,755	(136,387)	3,523	1,014,341	1,594,278	877,954
Total revenues	4,741,898	3,119,097	2,586,035	3,279,368	7,327,933	6,398,465
Contributed capital	-	-	-	-	-	-
Transfers in (out)	-	-	-	-	-	-
Total revenues and transfers	4,741,898	3,119,097	2,586,035	3,279,368	7,327,933	6,398,465
Expenses:						
General government	838,894	753,222	-	-	838,894	753,222
Public safety	1,647,118	1,584,174	-	-	1,647,118	1,584,174
Highways and public works	468,857	266,802	-	-	468,857	266,802
Parks and recreation	247,517	257,173	-	-	247,517	257,173
Community development	62,139	77,023	-	-	62,139	77,023
Utility operations	-	-	2,382,663	2,275,075	2,382,663	2,275,075
Total expenses	3,264,525	2,938,394	2,382,663	2,275,075	5,647,188	5,213,469
Change in net position	1,477,373	180,703	203,372	1,004,293	1,680,745	1,184,996
Net position-beginning	6,649,591	6,468,888	4,824,461	3,820,168	11,474,052	10,289,056
Net position-ending	\$ 8,126,964	\$ 6,649,591	\$ 5,027,833	\$ 4,824,461	\$ 13,154,797	\$ 11,474,052

Governmental Activities

The activities in the governmental funds resulted in an increase in net position of \$1,477,373 for the year. Total revenues increased an overall \$1,622,801 or 52.0 percent during 2025, consisting of a decrease of \$250,104 or 11.6 percent in tax revenues, and an increase of \$24,595 or 3.5 percent in charges for services. Total expenses increased by 11.1 percent or \$326,131 for the year due to increased wages and operational costs.

Business-type Activities

The business-type activities (water, sewer, garbage and storm sewer) are generating sufficient revenues to cover operating costs.

CAPITAL ASSETS AND LONG-TERM DEBT

Sunset City added \$674,094 in new capital assets in governmental activities during the fiscal year - \$30,054 in general government equipment and buildings; \$149,755 in public safety equipment and vehicles; \$421,015 in highways and public improvements equipment, vehicles, and infrastructure; and \$73,270 in parks and recreation equipment. In the business-type activities, the City added \$607,613 in capital assets during the fiscal year. This included equipment, vehicles, and improvements. There was no new borrowing and the City does not have any long-term debt.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Fund Balances

As of June 30, 2025, Sunset City’s governmental funds reported fund balances of \$4,267,469. Of this amount, \$1,139,677 or 26.7% is restricted, \$48,642 or 1.1% is committed, and \$2,811,816 or 65.9% is assigned for specific purposes. The remaining \$267,334 or 6.3% is unassigned and is to help, if needed, towards continuation of the City’s programs.

General Fund

During fiscal year 2025, the fund balance in the general fund decreased by \$847,944. Total revenues were up \$43,509. Tax revenue decreased by \$250,104 or 11.6% from the previous year, the City received \$34,290 or 28.5% less in licenses and permits, there was a \$50,328 or 67.6% decrease in charges for services, and fines and forfeitures were up by \$109,213 or 21.8%. The total general fund expenditures (excluding transfers) were up \$494,138 or 17.7%.

GENERAL FUND REVENUE SOURCES

Taxes	57.1%
Licenses & Permits.....	2.6%
Intergovernmental	13.0%
Charges for Services.....	0.7%
Fines & Forfeitures.....	18.2%
Other Revenues	8.4%

GENERAL FUND EXPENDITURES

General Government	20.9%
Public Safety	46.6%
Highways & Public Works.....	23.0%
Parks & Recreation	7.8%
Community Development	1.7%
Debt Service.....	0.0%

GENERAL FUNDS BUDGETARY HIGHLIGHTS

During the fiscal year, the overall actual expenditures in the General Fund (excluding transfers) came in \$313,964 under budget and the overall actual revenues came in \$84,541 over budget. The actual expenditures for the general government and community development were \$9,155 and \$9,199 over budget, respectively.

Capital Projects Funds

During the fiscal year, the fund balance in the Capital Projects funds increased by \$1,956,729.

Enterprise Fund

The change in net position of the enterprise fund shows a decrease of \$800,921 or 79.8% from the previous year.

REQUESTS FOR INFORMATION

This financial report is designed to provide readers with a general overview of Sunset City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report should be addressed to:

Nicole Supp
City Recorder
200 W. 1300 N.
Sunset, UT 84015
(801) 614-9103

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BASIC FINANCIAL STATEMENTS

SUNSET CITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2025

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 3,315,443	\$ -	\$ 3,315,443
Cash and cash equivalents - restricted	1,139,677	-	1,139,677
Accounts receivable - net	30,753	273,295	304,048
Intergovernmental receivables	669,480	-	669,480
Lease receivables	339,199	-	339,199
Prepaid expenses	-	200,035	200,035
Deposit	21,500	-	21,500
Capital assets, net of depreciation:			-
Land	137,491	12,500	149,991
Buildings	1,120,858	2,317,470	3,438,328
Improvements	634,792	1,941,086	2,575,878
Infrastructure	1,210,721	-	1,210,721
Equipment and vehicles	1,060,420	507,969	1,568,389
Construction in progress	-	39,319	39,319
Total capital assets	<u>4,164,282</u>	<u>4,818,344</u>	<u>8,982,626</u>
 Total assets	 <u>9,680,334</u>	 <u>5,291,674</u>	 <u>14,972,008</u>
 Deferred Outflows of Resources - pension related	 <u>386,436</u>	 <u>113,379</u>	 <u>499,815</u>
 Liabilities:			
Cash deficit	64,238	3,529	67,767
Accounts payable and accrued liabilities	420,256	182,287	602,543
Noncurrent liabilities:			
Compensated absences	260,728	63,840	324,568
Net pension liability	<u>429,324</u>	<u>123,299</u>	<u>552,623</u>
 Total liabilities	 <u>1,174,546</u>	 <u>372,955</u>	 <u>1,547,501</u>
 Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	1,171	4,265	5,436
Unavailable revenue - property taxes	365,901	-	365,901
Unavailable revenue - leases	390,188	-	390,188
Unavailable revenue - donations	<u>8,000</u>	<u>-</u>	<u>8,000</u>
 Total deferred inflows of resources	 <u>765,260</u>	 <u>4,265</u>	 <u>769,525</u>
 Net Position:			
Net investment in capital assets	4,164,282	4,818,344	8,982,626
Restricted for:			
Class C roads	724,846	-	724,846
Liquor control	17,734	-	17,734
Miscellaneous grants	21,371	-	21,371
Local County Option Hwy/Transit	375,726	-	375,726
Unrestricted	<u>2,823,005</u>	<u>209,489</u>	<u>3,032,494</u>
 Total net position	 <u>\$ 8,126,964</u>	 <u>\$ 5,027,833</u>	 <u>\$ 13,154,797</u>

The accompanying notes are an integral part of these statements.

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**SUNSET CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2025**

	General	Public Works Capital Project	CDBG Capital Project	Economic Development	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 540,550	\$ 2,431,228	\$ -	\$ 343,665	\$ 3,315,443
Cash and cash equivalents - restricted	1,139,677	-	-	-	1,139,677
Accounts receivables	30,753	-	-	-	30,753
Intergovernmental receivables	669,480	-	-	-	669,480
Lease receivables	339,199	-	-	-	339,199
Deposits	21,500	-	-	-	21,500
Total assets	<u>\$ 2,741,159</u>	<u>\$ 2,431,228</u>	<u>\$ -</u>	<u>\$ 343,665</u>	<u>\$ 5,516,052</u>
Liabilities:					
Cash deficit	\$ -	\$ -	\$ 64,238	\$ -	\$ 64,238
Accounts payable	204,945	-	-	-	204,945
Accrued liabilities	215,311	-	-	-	215,311
Total liabilities	<u>420,256</u>	<u>-</u>	<u>64,238</u>	<u>-</u>	<u>484,494</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	365,901	-	-	-	365,901
Unavailable revenue - leases	390,188	-	-	-	390,188
Unavailable revenue - donations	8,000	-	-	-	8,000
Total deferred inflows of resources	<u>764,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>764,089</u>
Fund Balances:					
Restricted for:					
Class C roads	724,846	-	-	-	724,846
Liquor control	17,734	-	-	-	17,734
Miscellaneous grants	21,371	-	-	-	21,371
Local County Option Hwy/Transit	375,726	-	-	-	375,726
Committed to:					
Dispatch/Animal Control fees	48,642	-	-	-	48,642
Assigned to:					
Emergency Preparedness	8,801	-	-	-	8,801
DARE	4,042	-	-	-	4,042
Youth city council	6,429	-	-	-	6,429
Retirement Insurance Premium	17,651	-	-	-	17,651
Capital Projects	-	2,431,228	-	343,665	2,774,893
Unassigned	331,572	-	(64,238)	-	267,334
Total fund balances	<u>1,556,814</u>	<u>2,431,228</u>	<u>(64,238)</u>	<u>343,665</u>	<u>4,267,469</u>
Total liabilities and fund balances	<u>\$ 2,741,159</u>	<u>\$ 2,431,228</u>	<u>\$ -</u>	<u>\$ 343,665</u>	<u>\$ 5,516,052</u>

The accompanying notes are an integral part of these statements.

SUNSET CITY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

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

Total fund balances - governmental fund types: \$ 4,267,469

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

Land	137,491	
Buildings	1,667,419	
Improvements	778,487	
Infrastructure	1,362,034	
Equipment	1,041,500	
Vehicles	1,296,976	
Accumulated depreciation	<u>(2,119,625)</u>	
		4,164,282

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

Compensated absences	(260,728)	
Net pension liability	<u>(429,324)</u>	
		(690,052)

The net pension asset is not an available resource and, therefore, is not reported in the funds

-

Deferred inflows for pension credits (\$1,171) and deferred outflows for pension charges (\$386,436) are not reflected in the fund statements but are reported as part of the entity-wide statement of activities

385,265

Total net position of governmental activities

\$ 8,126,964

The accompanying notes are an integral part of these statements.

SUNSET CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General	Public Works Capital Project	CDBG Capital Project	Economic Development	Total Governmental Funds
Revenues:					
Taxes	\$ 1,909,586	\$ -	\$ -	\$ -	\$ 1,909,586
Licenses and permits	85,948	-	-	-	85,948
Intergovernmental	435,040	86,581	-	-	521,621
Charges for services	24,141	-	-	-	24,141
Fines and forfeitures	609,847	-	-	-	609,847
Interest earnings	189,669	-	-	-	189,669
Sale of assets	18,993	1,290,600	-	-	1,309,593
Miscellaneous revenue	72,978	18,515	-	-	91,493
Total revenues	<u>3,346,202</u>	<u>1,395,696</u>	<u>-</u>	<u>-</u>	<u>4,741,898</u>
Expenditures:					
Current:					
General government	714,381	-	-	16,332	730,713
Public safety	1,550,433	-	-	-	1,550,433
Highways and public works	301,057	118,488	-	-	419,545
Parks and recreation	212,521	-	-	-	212,521
Community development	62,139	-	-	-	62,139
Capital:					
General government	30,054	-	-	-	30,054
Public safety	149,755	-	-	-	149,755
Highways and public works	273,806	147,209	-	-	421,015
Parks and recreation	-	73,270	-	-	73,270
Community development	-	-	-	-	-
Total expenditures	<u>3,294,146</u>	<u>338,967</u>	<u>-</u>	<u>16,332</u>	<u>3,649,445</u>
Excess (deficiency) of revenues					
over (under) expenditures	<u>52,056</u>	<u>1,056,729</u>	<u>-</u>	<u>(16,332)</u>	<u>1,092,453</u>
Other financial sources (uses):					
Transfers (out)	(907,500)	-	-	-	(907,500)
Transfers in	<u>7,500</u>	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>907,500</u>
Total other financing sources (uses)	<u>(900,000)</u>	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(847,944)	1,956,729	-	(16,332)	1,092,453
Fund balances - beginning of year, restated (see note 14)	<u>2,404,758</u>	<u>474,499</u>	<u>(64,238)</u>	<u>359,997</u>	<u>3,175,016</u>
Fund balances - end of year	<u>\$ 1,556,814</u>	<u>\$ 2,431,228</u>	<u>\$ (64,238)</u>	<u>\$ 343,665</u>	<u>\$ 4,267,469</u>

The accompanying notes are an integral part of these statements.

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

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

Net change in fund balance - total governmental funds	\$ 1,092,453
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$700 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount in which depreciation exceeded capital outlays in the current period.

Additions to capital assets	674,094	
Depreciation expense	<u>(197,622)</u>	
		476,472

Lease payments are accounted for in the general fund as an expenditure. Lease proceeds are accounted for as a revenue. In the statement of activities only the interest expense for the current year is included with the principal reducing the liability on the statement of net assets. Changes in compensated absences are treated as expenses in governmental statements, but are reductions or increases in the liability in the Statement of Net Position.

(Increase) decrease in compensated absences	<u>(13,553)</u>	(13,553)
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GASB Statement 68 entries resulted in a net reduction of pension expenses at the entity-wide level	(77,999)
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Change in net position of governmental activities	<u><u>\$ 1,477,373</u></u>
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The accompanying notes are an integral part of these statements.

SUNSET CITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2025

	<u>Utility Fund</u>
Assets:	
Current assets:	
Accounts receivable	\$ 273,295
Prepaid expenses	200,035
Total current assets	<u>473,330</u>
Noncurrent assets:	
Land	12,500
Buildings	2,827,490
Improvements	2,640,658
Equipment	686,568
Vehicles	30,000
Construction in progress	39,319
Less accumulated depreciation	<u>(1,418,191)</u>
Total noncurrent assets	<u>4,818,344</u>
Total assets	<u>5,291,674</u>
Deferred outflows of resources:	
Deferred pension charge	<u>113,379</u>
Liabilities:	
Current liabilities:	
Cash deficit	3,529
Due to other governments	182,287
Total current liabilities	<u>185,816</u>
Noncurrent liabilities:	
Compensated absences	63,840
Net pension liability	123,299
Total noncurrent liabilities	<u>187,139</u>
Total liabilities	<u>372,955</u>
Deferred inflows of resources:	
Deferred pension credit	<u>4,265</u>
Net Position:	
Net investment in capital assets	4,818,344
Restricted	-
Unrestricted	209,489
Total net position	<u>\$ 5,027,833</u>

The accompanying notes are an integral part of these statements.

SUNSET CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Utility Fund</u>
Operating revenue:	
Charges for services	\$ 2,582,512
Total operating revenues	<u>2,582,512</u>
Operating expenses:	
Water operational	416,811
Sewer collection and disposal	547,548
Garbage collection and disposal	434,581
Storm sewer collection and disposal	20,202
Salaries, wages and benefits	673,427
Other operational expense	158,266
Depreciation expense	<u>131,828</u>
Total operating expenses	<u>2,382,663</u>
Operating income (loss)	<u>199,849</u>
Nonoperating revenues (expenses)	
Gain(loss) on sale of capital assets	<u>3,523</u>
Change in net position	203,372
Total net position - beginning, restated (see note 14)	<u>4,824,461</u>
Total net position - ending	<u><u>\$ 5,027,833</u></u>

The accompanying notes are an integral part of these statements.

**SUNSET CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	Utility Fund
Cash flows from operating activities:	
Receipts from services provided	\$ 2,564,768
Payments to suppliers	(1,566,964)
Payments to employees	(643,935)
	<u>353,869</u>
Net cash provided (used) by operating activities	<u>353,869</u>
Cash flows from noncapital financing activities:	
Transfers from (to) other funds	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>
Cash flow from capital and related financing activities:	
Acquisition of capital assets	(607,613)
Proceeds from sale of capital assets	13,300
Principal paid on capital debt	(808,278)
	<u>(1,402,591)</u>
Net cash provided (used) by capital and related activities	<u>(1,402,591)</u>
Cash flows from investing activities:	
Interest received	<u>-</u>
Net cash provided (used) by investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,048,722)
Cash and cash equivalents - beginning	<u>1,045,193</u>
Cash and cash equivalents (deficit) - ending	<u><u>\$ (3,529)</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 199,849
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	131,828
(Increase) decrease in accounts receivable	(17,744)
(Increase) decrease in prepaid expenses	(24,227)
Increase (decrease) in pension items	23,296
Increase (decrease) in accounts payable	34,671
Increase (decrease) in compensated absences	6,196
Total adjustments	<u>154,020</u>
Net cash provided (used) by operating activities	<u><u>\$ 353,869</u></u>

The accompanying notes are an integral part of these statements.

SUNSET CITY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

Assets

Cash and cash equivalents	\$ 75,709
Interest receivable	<u>-</u>
Total assets	<u>75,709</u>

Liabilities

Accounts payable	<u>-</u>
Total liabilities	<u>-</u>

Net Position

Held in trust for reward for those instrumental in the capture	<u> </u>
and prosecution of suspect in Rachel Runyan case	<u><u>\$ 75,709</u></u>

The accompanying notes are an integral part of these statements.

SUNSET CITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	<u>Fiduciary Fund</u>
Operating revenue:	
Charges for services	\$ -
Total operating revenues	<u>-</u>
Operating expenses:	
Total operating expenses	<u>-</u>
Operating income (loss)	<u>-</u>
Nonoperating revenues (expenses)	
Interest earned	<u>3,555</u>
Change in net position	3,555
Total net position - beginning, restated (see note 14)	<u>72,154</u>
Total net position - ending	<u><u>\$ 75,709</u></u>

The accompanying notes are an integral part of these statements.

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(1) Summary of Significant Accounting Policies

Sunset City was incorporated September 3, 1935. The City operates under a six member council form of government and provides the following services as authorized by its charter: public safety, public utilities, highways and streets, sanitation, culture-recreation, public improvements, planning and zoning and general administrative services. The financial statements of Sunset City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present Sunset City (the primary government) and organizations for which the primary government is financially accountable.

B. Government-Wide Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole and the fund statements focus on individual funds.

The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Position presents the City's non-fiduciary assets and liabilities, with the difference reported as net position. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate the general government (indirect) expenses to other functions. 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 requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(1) Summary of Significant Accounting Policies – Continued

Governmental Fund Types:

The City reports the following major governmental funds:

General Fund – The general fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in other funds. It also includes the financial activities related to most federal and state funds.

Special Revenue Fund – This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The City does not have a special revenue fund at this time.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of general major capital facilities.

Proprietary Fund Types:

Enterprise Fund – The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of income earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City operates its water, sewer, storm water drainage and garbage operations as an enterprise fund.

Fiduciary Fund Types:

Fiduciary Fund – This fund is used to account for assets held by the City, in a trustee capacity for individuals, other governmental units and/or funds.

C. Measurement Focus and Basis of Accounting

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

All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total position.

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(1) Summary of Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting – Continued

All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or within 60 days in order to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: 1) accumulated unpaid vacation, sick pay and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and 2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

D. Budgets

Annual budgets are prepared and adopted in accordance with the “Uniform Fiscal Procedures Act of Utah Cities” by the Sunset City Municipal Council on or before June 30th for the following fiscal year which begins on July 1st. Budgets may be increased by resolution of the City Council at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund may exceed its total budget appropriation. The City follows Uniform Fiscal Procedures for Cities as adopted by the State Legislature for policies concerning its budgetary accounting. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at the fiscal year end. During the year the City made an amendment to the budget.

E. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$2,500 or more. 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 are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Wells	50 years
Water distribution system	50 years
Sewer collection system	50 years
Equipment and machinery	5-10 years
Infrastructure improvements	50 years
Other improvements	10-50 years

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(1) Summary of Significant Accounting Policies – Continued

F. Governmental Fund Balances

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned and Unassigned.

Nonspendable Fund Balance – classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Sunset has a nonspendable fund balance in the form of real property.

Restricted Fund Balance – classified as restricted by (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Sunset reports its Class C, Liquor Control, Miscellaneous Grants and Local County Option Hwy/Transit fund balances as restricted.

Committed Fund Balance – classification includes those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Sunset reports its dispatch/animal control fees fund balance as committed.

Assigned Fund Balance – classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Sunset reports its Emergency Preparedness, DARE, Youth City Council, Retirement Insurance Premium and Capital Projects as assigned.

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

When an expenditure is incurred for purposes which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Pensions

For the 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.

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(1) Summary of Significant Accounting Policies – Continued

I. 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.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Change in Accounting Principle

In 2022 GASB Announced GASB 101- Compensated Absences, effective for years beginning after December 15, 2023. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and more likely than not will be used and has not yet been paid. A liability should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be paid. This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave is paid.

Adoption of this new standard did require a restatement of prior year net position. See note 14 for the restatement. See note 5 for the compensated absences liability at year-end.

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SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(2) Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by some of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. This 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.

A. Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2025, all of the City's bank balances of \$160,893 were insured but uncollateralized.

B. Investments

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

The City follows the requirements of the Utah Money Management Act (Utah Code, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The Money Management Act defines the types of securities authorized as appropriate investments for the Town'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 corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(2) Deposits and Investments - Continued

B. Investments – Continued

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (Utah Code, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

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

Fair Value of Investments

The Town 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 Town had the following recurring fair value measurements.

Investments by fair value level	Level 1	Level 2	Level 3	Total
Debt securities				
Utah Public Treasurer's Investment Fund	\$ 4,250,627	\$ -	\$ -	\$ -
Total	\$ 4,250,627	\$ -	\$ -	\$ -

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
- 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 Town's average daily balance in the Fund

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(2) Deposits and Investments - Continued

C. 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 Town's investments had the following maturities:

		Investment Maturities (in Years)				
Investment Type:	Fair Value	Less than 1	1-5	6-10	More than 10	
PTIF Investments	\$ 4,250,627	\$ 4,250,627	\$ -	\$ -	\$ -	-

D. Credit Risk and Concentration of Credit Risk

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

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

		Quality Ratings			
Investment Type:	Fair Value	AAA	AA	Unrated	
PTIF Investments	\$ 4,250,627	\$ -	\$ -	\$ 4,250,627	

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town'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.

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

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(2) Deposits and Investments - Continued

D. Credit Risk and Concentration of Credit Risk – Continued

The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Investments not subject to categorizations:	Carrying Amount
Petty cash	\$ 1,350
Deposits	135,376
Investment in Utah Public Treasurer's Investment fund	<u>4,250,627</u>
Total deposits and investments	<u>\$ 4,387,353</u>

Cash and investments are included in the accompanying
combined statement of net position as follows:

Unrestricted cash	\$ 3,247,676
Restricted cash	<u>1,139,677</u>
Total deposits and investments	<u>\$ 4,387,353</u>

(3) Accounts Receivable

Accounts receivable in the General Fund are due from other governmental agencies. Accounts receivable in the enterprise fund are due from customers in the amount of \$273,294 but it is shown net of an allowance for doubtful accounts in the amount of \$1,705 for a total of \$274,999.

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(4) Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 137,491	\$ -	\$ -	\$ 137,491
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	137,491	-	-	137,491
Capital assets being depreciated:				
Buildings	1,637,365	30,054	-	1,667,419
Improvements	778,487	-	-	778,487
Infrastructure	1,214,825	147,209	-	1,362,034
Equipment and vehicles	1,877,874	496,831	(36,229)	2,338,476
Total capital assets being depreciated	5,508,551	674,094	(36,229)	6,146,416
Less accumulated depreciation for:				
Buildings	513,235	33,326	-	546,561
Improvements	124,597	19,098	-	143,695
Infrastructure	129,909	21,404	-	151,313
Equipment and vehicles	1,190,491	123,794	(36,229)	1,278,056
Total accumulated depreciation	1,958,232	197,622	(36,229)	2,119,625
Total capital assets being depreciated, net	3,550,319	476,472	-	4,026,791
Governmental activities capital assets, net	<u>\$ 3,687,810</u>	<u>\$ 476,472</u>	<u>\$ -</u>	<u>\$ 4,164,282</u>

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SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

4) Capital Assets - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 12,500	\$ -	\$ -	\$ 12,500
Construction in Progress	-	39,319	-	39,319
Total capital assets not being depreciated	12,500	39,319	-	51,819
Capital assets being depreciated:				
Buildings	2,787,370	40,120	-	2,827,490
Improvements	2,398,583	242,075	-	2,640,658
Equipment and vehicles	448,219	286,099	(17,750)	716,568
Total capital assets being depreciated	5,634,172	568,294	(17,750)	6,184,716
Less accumulated depreciation for:				
Buildings	455,080	54,940	-	510,020
Improvements	661,613	37,959	-	699,572
Equipment and vehicles	177,643	38,929	(7,973)	208,599
Total accumulated depreciation	1,294,336	131,828	(7,973)	1,418,191
Total capital assets being depreciated, net	4,339,836	436,466	(9,777)	4,766,525
Business-type activities capital assets, net	<u>\$ 4,352,336</u>	<u>\$ 475,785</u>	<u>\$ (9,777)</u>	<u>\$ 4,818,344</u>

Current Depreciation by Function

Government activities:

General government	86,164
Public safety	40,671
Highways and public works	41,441
Parks and recreation	29,346
Total depreciation expense - governmental activities	<u>197,622</u>

Business-type activities:

Water, sewer, garbage and storm sewer	131,828
Total depreciation expense - business-type activities	<u>131,828</u>

Total depreciation expense	<u>329,450</u>
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SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(5) Long Term Debt

During the year ended June 30, 2025 the following activity occurred in liabilities reported as long term debt:

	Beginning balance	Additions	Deletions	Ending Balance	Due within one year
Governmental activities					
Compensated absences	\$ 247,175	\$ 13,553	\$ -	\$ 260,728	\$ -
Net pension liability	334,669	94,655	-	429,324	-
Total	<u>\$ 581,844</u>	<u>\$ 108,208</u>	<u>\$ -</u>	<u>\$ 690,052</u>	<u>\$ -</u>
Business-type activities					
Capital lease obligation	\$ 808,278	\$ -	\$ (808,278)	\$ -	\$ -
Compensated absences	57,643	6,197	-	63,840	-
Net pension liability	95,026	28,273	-	123,299	-
Total	<u>\$ 960,947</u>	<u>\$ 34,470</u>	<u>\$ (808,278)</u>	<u>\$ 187,139</u>	<u>\$ -</u>

(6) Contributed Capital

The water and sewer fund receives contributions from sub-dividers for the extension of water and sewer lines when private developers construct water and sewer transmission systems at their own cost. Occasionally, the City constructs large trunk lines. When governmental grants are used to construct part of a system the government receipts are recorded as contributed capital.

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SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(7) 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:

- Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple-employer, cost sharing, public employee retirement system.
- The Public Safety Retirement 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.

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SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(7) Pension Plans – Continued

General Information about the Pension Plan (continued)

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

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

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 &/or Age Eligible for Benefit	Benefit Percent Per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years, any age 25 years, any age* 20 years, age 60* 10 years, age 62* 4 years, age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years, any age 10 years, age 60 4 years, age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4% depending on 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	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.5% per year to June 30, 2020 2.0% 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.

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(7) 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 Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2022 are as follows:

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

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

Contribution Summary

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

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 48,871	\$ -
Public Safety System	100,639	-
Tier 2 Public Employees System	80,622	3,593
Tier 2 Public Safety and Firefighter	116,991	21,241
Total Contributions	\$ 347,123	\$ 24,833

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

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

At June 30, 2025, we reported a net pension liability of \$552,623 and a net pension asset of \$0.

	(Measurement Date): December 31, 2024				
	Net Pension Liability	Net Pension Asset	Proportionate Share	Proportionate Share December 31, 2023	Increase (Decrease)
Noncontributory System	\$ 115,610	\$ -	0.0364571%	0.0387920%	-0.0023349%
Public Safety System	340,532	-	0.2200813%	0.1886221%	0.0314593%
Tier 2 Public Employees System	54,535	-	0.0182857%	0.0166332%	0.0016526%
Tier 2 Public Safety and Firefighter	41,946	-	0.0927416%	0.0997616%	-0.0070200%
	<u>\$ 552,623</u>	<u>\$ -</u>			

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

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(7) Pension Plans – Continued

Combined Pension Assets, Liabilities, Expense and Deferred Outflows and Inflows of Resources relating to Pensions (continued)

For the year ended June 30, 2025 we recognized pension expense of \$448,416.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 153,842	\$ 2,580
Changes in assumptions	51,301	664
Net difference between projected and actual earnings on pension plan investments	99,964	-
Changes in proportion and differences between contributions and proportionate share of contributions	23,699	2,192
Contributions subsequent to the measurement date	171,010	-
Total	<u>\$ 499,815</u>	<u>\$ 5,436</u>

\$171,010 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

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

Year ended December 31,	Deferred Outflows (Inflows) of Resources
2025	\$ 126,187
2026	164,622
2027	(31,097)
2028	2,075
2029	21,283
Thereafter	\$ 40,300

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

For the year ended June 30, 2025, we recognized pension expense of \$105,513.

At June 30, 2024 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,887	\$ -
Changes in assumptions	9,563	-
Net difference between projected and actual earnings on pension plan investments	34,823	-
Changes in proportion and differences between contributions and proportionate share of contributions	711	-
Contributions subsequent to the measurement date	25,024	-
Total	<u>\$ 139,008</u>	<u>\$ -</u>

\$25,024 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(7) Pension Plans – Continued

Noncontributory System Pension Expense, and Deferred Outflows and Inflows of Resources (continued)

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

Year ended December 31,	Deferred Outflows (Inflows) of Resources
2025	\$ 66,847
2026	63,848
2027	(14,130)
2028	(2,580)
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 \$222,709.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,984	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	58,936	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,731	-
Contributions subsequent to the measurement date	47,152	-
Total	<u>\$ 150,803</u>	<u>\$ -</u>

\$47,152 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

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

Year ended December 31,	Deferred Outflows (Inflows) of Resources
2025	\$ 48,274
2026	83,656
2027	(23,939)
2028	(4,339)
2029	-
Thereafter	\$ -

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(7) Pension Plans – Continued

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

For the year ended June 30, 2025 we recognized pension expense of \$59,371.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,575	\$ 376
Changes in assumptions	18,214	6
Net difference between projected and actual earnings on pension plan investments	3,486	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,149	359
Contributions subsequent to the measurement date	38,181	-
Total	<u>\$ 90,605</u>	<u>\$ 740</u>

\$38,181 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

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

Year ended December 31,	Deferred Outflows (Inflows) of Resources
2025	\$ 6,095
2026	9,528
2027	4,031
2028	5,025
2029	12,084
Thereafter	\$ 14,920

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

For the year ended June 30, 2025 we recognized pension expense of \$60,823.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,395	\$ 2,204
Changes in assumptions	23,524	659
Net difference between projected and actual earnings on pension plan investments	2,719	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,108	1,833
Contributions subsequent to the measurement date	60,653	-
Total	<u>\$ 119,398</u>	<u>\$ 4,696</u>

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(7) Pension Plans – Continued

\$60,653 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

Tier 2 Public Safety and Firefighter System Pension Expense, and Deferred Outflows and Inflows of Resources (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>Deferred Outflows (Inflows) of Resources</u>
2025	\$ 4,971
2026	7,590
2027	2,940
2028	3,970
2029	9,199
Thereafter	\$ 25,380

Actuarial assumptions

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

Inflation	2.50 percent
Salary increases	3.5 - 9.5 percent, average, including inflation
Investment rate of return	6.85 percent, net of pension plan investment expense, including inflation

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

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

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

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(7) Pension Plans – Continued

Actuarial assumptions (continued)

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-term Expected Portfolio Real Rate of Return
Equity Securities	35.00%	7.01%	2.45%
Debt Securities	20.00%	2.54%	0.51%
Real Assets	18.00%	5.45%	0.98%
Private Equity	12.00%	10.05%	1.21%
Absolute Return	15.00%	4.36%	0.65%
Cash and Cash Equivalents	0.00%	0.49%	0.00%
Totals	100.00%		5.80%
	Inflation		2.50%
	Expected arithmetic nominal return		8.30%

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

Discount rate: The discount rate used to measure the total pension liability was 6.85%. 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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85%) or 1-percentage-point higher (7.85%) than the current rate:

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 488,934	\$ 115,610	\$ (197,489)
Public Safety System	1,046,164	340,532	(235,252)
Tier 2 Public Employees System	162,883	54,535	(29,749)
Tier 2 Public Safety and Firefighter	143,032	41,946	(38,874)
Total	<u>\$ 1,841,013</u>	<u>\$ 552,623</u>	<u>\$ (501,364)</u>

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

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(7) Pension Plans – Continued

Defined Contribution Savings Plans

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

Sunset City participates in the 401(k) Defined Contribution Savings Plan with the Utah Retirement Systems.

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

<u>401(k) Plan</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Employer Contributions	\$ 98,711	\$ 101,785	\$ 95,500
Employee Contributions	\$ 28,467	\$ 24,131	\$ 29,607

(8) Risk Management

Sunset City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disaster for which the government carries commercial insurance. Deductibles on claims are paid for out of the department experiencing the damage or loss.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At June 30, 2025 there were no outstanding claims or judgments against the City. Settlements did not exceed insurance coverage for each of the past three years.

(9) Budgetary Accounting and Tax Calendar

The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. Budgets are required by the State of Utah for the general, special revenue, debt service and capital improvement funds. The legal level of control required by the State of Utah is at the department level. The City's budget is a financial plan of all estimated revenues and all appropriations for expenditures. Revenues and expenditures must balance.

The budget is prepared sometime between the 1st of March and the 1st of May. A tentative budget is presented by the Budget Officer to the City Council by the first regularly scheduled Council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than the first meeting in May. The tentative budget is public record and available for inspection at the City Recorder's Office for at least ten days prior to adoption of the final budget. Notice of the public hearing on adoption of the final budget is published seven days prior to the public hearing. The public hearing on the tentatively adopted budget is held prior to final adoption. Final adjustments can be made to the tentative budget by the Council after the public hearing. The final budget is adopted by resolution before June 30th and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

The government's Department Heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Mayor or designated Budget Officer.

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(9) Budgetary Accounting and Tax Calendar – Continued

In connection with budget adoption an annual tax resolution establishing the tax rate is adopted before June 22nd and the City Recorder is to certify the tax rate to the County Auditor before June 22nd. Budgets for the general, special revenue and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The preceding procedures are authorized by Utah Code Sections 10-6-109 through 10-6-136.

<u>Property Tax Calendar</u>		
<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Lien date	59-2-103 59-2-1302	01/01
Taxing districts with June year end notify county commission of date, time and place of public hearing	59-2-919(8)	03/01
County Treasurer to settle taxes charged and collected/ for previous year	59-2-1365(2)	03/31
Budget Officer shall prepare and file with Council a tentative budget	10-6-111	1 st scheduled Council meeting in May
Tax Commission reports value of Centrally Assessed Property to counties	59-2-802	06/08
County Assessor delivers to County Auditor statement showing aggregate valuation of all taxable property	59-2-924(2)	06/01
County Auditor sends valuation, certified tax rate and levy worksheets to each taxing district	59-2-924(3)	06/08
Taxing district must adopt a proposed tax rate, certify the rate and levy and submit to County Auditor	59-2-912	before 06/22
County to set proposed tax rates	59-2-909	06/22
Taxing districts adopt tentative budgets and notify County of intent to exceed certified tax rate	59-2-924(8)	06/30
County Auditor to submit levy worksheets and supporting documentation to Tax Commission	59-2-913	before 06/22
Copy of final budget to State Auditor within 30 days of adoption	10-6-118	07/30 or 10/01
County Treasurer to mail tax notice	59-2-1317(7)	11/01
County Auditor delivers assessment roll with affidavit to County Treasurer	59-2-326	11/01
Payment and delinquency date	59-2-1331	11/30
Delinquency list published	59-2-1332.5	12/31

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(10) Contingent Liabilities

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

(11) Inter-fund Transfers

The City has made inter-fund transfers as follows:

	Transfers in	Transfers out	Net Transfers in (out)
General Fund	\$ 7,500	\$ 907,500	\$ (900,000)
Public Works Capital Projects	900,000	-	900,000
Proprietary Fund	-	-	-
Totals	<u>\$ 907,500</u>	<u>\$ 907,500</u>	<u>\$ -</u>

(12) Departments Over Budget

In the General fund, there were two departments that had expenditures in excess of appropriations.

(13) Lease Receivables

The City is reporting a lease receivable of \$339,199 at June 30, 2025. For 2025, the City reported lease revenue of \$37,160 and interest revenue of \$9,222 related to lease payments received. The lease is summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
AT&T TV Site Rental	\$ 50,024	\$ 12,027	\$ 769
Reagan Billboard	52,804	15,716	2,799
Verizon Lease	236,371	9,417	5,654
	<u>\$ 339,199</u>	<u>\$ 37,160</u>	<u>\$ 9,222</u>

AT&T Lease – On July 27, 1999, the City entered into a lease agreement with AT&T through July 27, 2029 for the lease of real property for the purpose of constructing, maintaining and operating a communications facility including tower structures.

Reagan Billboard Lease – On June 1, 2009, the City entered into a lease agreement with Reagan Outdoor Advertising through June 1, 2029 for the lease of real property for the purpose of erecting, servicing, maintaining, and operating outdoor advertising structures.

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(13) Lease Receivables – Continued

Verizon Lease – On August 17, 2025, the City entered into a lease agreement with Verizon Wireless through August 17, 2040 for the lease of real property for the purpose of constructing, maintaining and operating a utility structures.

(14) Prior Period Adjustments

Adjustments were made to record accounts receivable in the correct period, to true up a liability account, and to record lease receivables. Adjustments were also made to increase compensated absences due to the adoption of GASB 101- Compensated Absences.

Prior period adjustments were made to correct the general fund balance and the net position of the governmental activities and business-type activities.

GENERAL FUND

Fund balance, beginning of year	\$ 2,212,102
Increase in accounts receivable (taxes)	246,604
Increase in lease receivables	(26,702)
Increase in liability account (court bail account)	<u>(27,246)</u>
Total adjustments	<u>192,656</u>
Fund balance, beginning of year, restated	<u><u>\$ 2,404,758</u></u>

GOVERNMENTAL ACTIVITIES

Net position, beginning of year	\$ 6,541,082
Adjustments (shown in table above)	192,656
Increase in compensated absences	<u>(84,147)</u>
Net position, beginning of year, restated	<u><u>\$ 6,649,591</u></u>

BUSINESS-TYPE ACTIVITIES

Net position, beginning of year	\$ 4,833,447
Increase in compensated absences	<u>(8,986)</u>
Net position, beginning of year, restated	<u><u>\$ 4,824,461</u></u>

SUNSET CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(15) Disaggregated Receivables and Payables

The table below disaggregates the balances due from other government units and amounts reported as accounts receivable on the statement of net position under governmental activities.

Governmental Activities:	Due from government units	Accounts Receivable	Total
Receivables:			
Utah State Tax Commission	\$ 225,107	\$ -	\$ 225,107
Utah Department of Transportation	52,332	-	52,332
County - Current Property Taxes	1,853	-	1,853
Taxpayers - Unavailable Taxes	390,188	-	390,188
Other Receivables	-	30,753	30,753
Gross receivables	669,480	30,753	700,233
Less: Allowance for uncollectibles	-	-	-
Net total receivables	<u>\$ 669,480</u>	<u>\$ 30,753</u>	<u>\$ 700,233</u>

The receivables in the business-type activities are all due from customers for utility services provided and amount to \$273,295, net of allowance for uncollectibles as of June 30, 2025.

	Accounts Payable Due To:		
	Other Governments	Vendors	Total
General Fund	\$ 55,567	\$ 149,378	\$ 204,945
Water Fund	182,287	-	182,287
Sewer Fund	-	-	-
Garbage Fund	-	-	-
Total	<u>\$ 237,854</u>	<u>\$ 149,378</u>	<u>\$ 387,232</u>

(16) Subsequent Events

Management has evaluated subsequent events February 2, 2026, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues:				
Taxes:				
Current year property taxes	\$ 400,000	\$ 390,690	\$ 391,068	\$ 378
Delinquent prior years taxes	20,000	20,000	19,097	(903)
Fee in lieu	20,000	21,000	21,280	280
Sales tax	1,000,000	1,100,000	1,179,017	79,017
Transient room tax	4,500	4,500	3,767	(733)
Franchise tax	300,000	300,000	281,175	(18,825)
Davis/Weber Canal revenue	14,100	14,180	14,182	2
Total taxes	1,758,600	1,850,370	1,909,586	59,216
Licenses and permits:				
Business licenses	30,000	32,750	33,382	632
Building permits	31,280	36,890	37,914	1,024
Building plan check fees	15,000	15,000	14,652	(348)
Total licenses and permits	76,280	84,640	85,948	1,308
Intergovernmental:				
Class "C" road allotment	150,000	262,940	272,728	9,788
State liquor allotment	11,300	7,155	7,154	(1)
Davis Co School Dist SRO reimburse.	49,100	58,400	58,400	-
Davis County Local Option revenue	113,000	113,000	96,758	(16,242)
Public Works Grants	-	-	-	-
Police grants	-	-	-	-
Court grants	-	-	-	-
CARES Act Funds	-	-	-	-
American Rescue Plan Act Funds	-	-	-	-
Planning Grant	-	-	-	-
Total intergovernmental	323,400	441,495	435,040	(6,455)
Charges for services:				
Special public safety fees	4,250	4,710	5,972	1,262
Recreation fees	2,900	2,565	3,986	1,421
Miscellaneous service fees	9,050	13,510	14,183	673
Total charges for services	16,200	20,785	24,141	3,356
Fines and forfeitures	475,000	591,920	609,847	17,927
Other revenues:				
Interest earnings	160,000	170,130	189,669	19,539
Sales of assets	30,000	32,290	18,993	(13,297)
Miscellaneous revenues	69,696	70,031	72,978	2,947
Total other revenues	259,696	272,451	281,640	9,189
Total revenues	2,909,176	3,261,661	3,346,202	84,541

SUNSET CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original Budget	Final Budget		
Expenditures:				
General Government				
Legislative:				
Salaries and benefits	23,495	23,505	23,492	13
Materials, supplies and services	10,340	6,320	3,297	3,023
Capital outlay	-	-	-	-
	<u>33,835</u>	<u>29,825</u>	<u>26,789</u>	<u>3,036</u>
Judicial:				
Salaries and benefits	222,255	168,500	194,211	(25,711)
Materials, supplies and services	68,885	65,400	58,154	7,246
Capital outlay	-	-	-	-
	<u>291,140</u>	<u>233,900</u>	<u>252,365</u>	<u>(18,465)</u>
Administrative:				
Salaries and benefits	199,930	206,285	222,509	(16,224)
Materials, supplies and services	38,775	58,535	54,085	4,450
Capital outlay	-	-	-	-
	<u>238,705</u>	<u>264,820</u>	<u>276,594</u>	<u>(11,774)</u>
Non-departmental:				
Materials, supplies and services	238,065	144,750	146,092	(1,342)
City shops, buildings and grounds:				
Materials, supplies and services	58,595	61,985	42,595	19,390
Capital outlay	-	-	-	-
	<u>58,595</u>	<u>61,985</u>	<u>42,595</u>	<u>19,390</u>
Total general government	<u>860,340</u>	<u>735,280</u>	<u>744,435</u>	<u>(9,155)</u>
Public Safety				
Police services:				
Salaries and benefits	1,305,200	1,325,785	1,330,294	(4,509)
Materials, supplies and services	198,230	209,510	210,270	(760)
Capital outlay	160,000	159,995	157,050	2,945
	<u>1,663,430</u>	<u>1,695,290</u>	<u>1,697,614</u>	<u>(2,324)</u>
Emergency Preparedness:				
Materials, supplies and services	5,000	5,000	2,574	2,426
	<u>5,000</u>	<u>5,000</u>	<u>2,574</u>	<u>2,426</u>
Total public safety	<u>1,668,430</u>	<u>1,700,290</u>	<u>1,700,188</u>	<u>102</u>

SUNSET CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original Budget	Final Budget		
Expenditures - (continued):				
Highways and Public Works				
Streets and highways:				
Salaries and benefits	106,355	124,625	170,401	(45,776)
Materials, supplies and services	472,480	471,810	372,067	99,743
Capital outlay	256,000	269,940	32,395	237,545
	834,835	866,375	574,863	291,512
Total highways and public works	834,835	866,375	574,863	291,512
Parks and Recreation				
Parks Department:				
Salaries and benefits	114,645	122,580	126,490	(3,910)
Materials, supplies and services	17,000	18,260	18,714	(454)
Capital outlay	68,000	43,000	-	43,000
	199,645	183,840	145,204	38,636
Recreation:				
Salaries and benefits	22,150	22,500	19,413	3,087
Materials, supplies and services	47,000	46,885	47,904	(1,019)
Capital outlay	-	-	-	-
	69,150	69,385	67,317	2,068
Total parks and recreation	268,795	253,225	212,521	40,704
Community Development				
Building and zoning:				
Materials, supplies and services	31,650	52,940	62,139	(9,199)
Total community development	31,650	52,940	62,139	(9,199)
Debt Service				
Capital lease payments	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	3,664,050	3,608,110	3,294,146	313,964
Excess (deficiency) of revenue over expenditures	(754,874)	(346,449)	52,056	398,505
Other financing sources (uses):				
Addition to (Use of) Fund Balance	686,874	1,178,449	-	(1,178,449)
Transfers (out)	(7,500)	(907,500)	(907,500)	-
Transfers in	7,500	7,500	7,500	-
Other	68,000	68,000	-	(68,000)
Total other financing sources (uses)	754,874	346,449	(900,000)	(1,246,449)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	-	-	(847,944)	(847,944)
Fund balance - beginning of year, restated (see note 13)	2,404,758	2,404,758	2,404,758	-
Fund balance - end of year	<u>\$ 2,404,758</u>	<u>\$ 2,404,758</u>	<u>\$ 1,556,814</u>	<u>\$ (847,944)</u>

SUNSET CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
JUNE 30, 2025
with a measurement date of December 31, 2024
Last 10 Fiscal Years *

	As of fiscal year ended June 30,	Non- contributory System	Contributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Proportion of net pension liability (asset)	2016	0.0504348%	0.0180151%	0.1620697%	0.0032813%	0.1014460%
	2017	0.0507814%	-	0.1602869%	0.0062992%	0.0935393%
	2018	0.0464390%	-	0.1607542%	0.0079233%	0.1076291%
	2019	0.0477963%	-	0.1718187%	0.0112687%	0.0761079%
	2020	0.4662010%	-	0.1741143%	0.0112163%	0.0312960%
	2021	0.0464115%	-	0.1734576%	0.0105808%	0.0301129%
	2022	0.0498535%	-	0.1723015%	0.0098339%	0.0603847%
	2023	0.0439538%	-	0.2029404%	0.0135024%	0.0584038%
	2024	0.0387920%	-	0.1886221%	0.0166332%	0.0997616%
	2025	0.0364571%	-	0.2200813%	0.0182857%	0.0927416%
Proportionate share of net pension liability (asset)	2016	285,385	12,662	287,083	(7)	(1,482)
	2017	326,079	-	325,266	703	(812)
	2018	203,463	-	252,168	699	(1,245)
	2019	351,959	-	442,018	4,826	1,907
	2020	175,705	-	279,561	2,523	2,944
	2021	23,806	-	144,012	1,522	2,701
	2022	(285,516)	-	(139,933)	(4,162)	(3,052)
	2023	75,282	-	262,417	14,703	4,872
	2024	89,981	-	269,761	32,374	37,579
	2025	115,610	-	340,532	54,535	41,946
Covered employee payroll	2016	441,650	7,676	313,437	21,214	60,342
	2017	450,868	-	328,711	51,658	77,285
	2018	403,220	-	301,821	77,692	113,630
	2019	411,535	-	339,936	131,391	102,326
	2020	409,584	-	373,974	155,938	51,599
	2021	422,130	-	382,363	169,134	58,653
	2022	459,393	-	373,932	182,615	144,404
	2023	391,528	-	370,702	293,705	179,696
	2024	317,277	-	261,988	430,023	378,001
	2025	260,528	-	304,577	541,757	423,339
Proportionate share of net pension liability (asset) as a percentage of its covered employee payroll	2016	64.62%	164.96%	91.59%	-0.03%	-2.46%
	2017	72.32%	-	98.95%	1.36%	-1.05%
	2018	50.46%	-	83.55%	0.90%	-1.10%
	2019	85.52%	-	130.03%	3.67%	1.86%
	2020	42.90%	-	74.75%	1.62%	5.71%
	2021	5.64%	-	37.66%	0.90%	4.61%
	2022	-62.15%	-	-37.42%	-2.28%	-2.11%
	2023	19.23%	-	70.79%	5.01%	2.71%
	2024	28.36%	-	102.97%	7.53%	9.94%
	2025	44.38%	-	111.81%	10.07%	9.91%
Plan fiduciary net position as a percentage of total pension liability	2016	87.8%	85.7%	87.1%	100.2%	110.7%
	2017	87.3%	92.9%	86.5%	95.1%	103.6%
	2018	91.9%	98.2%	90.2%	97.4%	103.0%
	2019	87.0%	91.2%	84.7%	90.8%	95.6%
	2020	93.7%	-	90.9%	96.5%	89.6%
	2021	99.2%	-	95.5%	98.3%	93.1%
	2022	108.7%	-	104.2%	103.8%	102.8%
	2023	97.5%	-	93.6%	92.3%	98.4%
	2024	96.9%	-	93.4%	89.6%	89.1%
	2025	96.0%	-	93.3%	87.4%	90.1%

*In accordance with GASB 68, the City will need to disclose a 10-year history of its proportionate share of the Net Pension Liability (Asset).

SUNSET CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEM
JUNE 30, 2025
with a measurement date of December 31, 2024
Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Actuarial required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2016	85,544	(85,544)	-	469,060	18.24%
	2017	77,722	(77,722)	-	420,802	18.47%
	2018	71,493	(71,493)	-	388,393	18.41%
	2019	78,699	(78,699)	-	434,673	18.11%
	2020	70,283	(70,283)	-	397,866	17.66%
	2021	79,666	(79,666)	-	450,108	17.70%
	2022	74,389	(74,389)	-	419,654	17.73%
	2023	62,312	(62,312)	-	363,653	17.13%
	2024	47,612	(47,612)	-	277,955	17.13%
	2025	48,871	(48,871)	-	287,984	16.97%
Public Safety System	2016	73,414	(73,414)	-	320,326	22.92%
	2017	74,066	(74,066)	-	318,662	23.24%
	2018	73,408	(73,408)	-	304,929	24.07%
	2019	84,411	(84,411)	-	368,941	22.88%
	2020	87,092	(87,092)	-	379,256	22.96%
	2021	83,413	(83,413)	-	377,538	22.09%
	2022	86,254	(86,254)	-	367,597	23.46%
	2023	96,423	(96,423)	-	321,983	29.95%
	2024	92,350	(92,350)	-	277,037	33.33%
	2025	100,639	(100,639)	-	300,056	33.54%
Tier 2 Public Employees System *	2016	4,659	(4,659)	-	31,248	14.91%
	2017	11,681	(11,681)	-	78,343	14.91%
	2018	14,158	(14,158)	-	93,782	15.10%
	2019	23,548	(23,548)	-	151,531	15.54%
	2020	24,632	(24,632)	-	157,295	15.66%
	2021	28,205	(28,205)	-	178,515	15.80%
	2022	34,338	(34,338)	-	213,674	16.07%
	2023	56,231	(56,231)	-	351,224	16.01%
	2024	82,338	(82,338)	-	514,289	16.01%
	2025	80,622	(80,622)	-	530,760	15.19%
Tier 2 Pubic Safety and Firefighter System *	2019	17,076	(17,076)	-	73,952	23.09%
	2020	10,406	(10,406)	-	44,990	23.13%
	2021	27,600	(27,600)	-	106,853	25.83%
	2022	37,725	(37,725)	-	146,050	25.83%
	2023	66,939	(66,939)	-	259,151	25.83%
	2024	110,327	(110,327)	-	427,128	25.83%
	2025	116,991	(116,991)	-	461,868	25.33%
Tier 2 Public Safety and Firefighter DC Only System *	2019	1,071	(1,071)	-	9,056	11.83%
	2020	4,934	(4,934)	-	41,710	11.83%
	2021	1,508	(1,508)	-	12,745	11.83%
	2022	-	-	-	-	0.00%
	2023	-	-	-	-	0.00%
	2024	-	-	-	-	0.00%
	2025	-	-	-	-	0.00%

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

Paragraph 81.b of GASB 68 requires the City to prospectively develop this table in future years to show 10 years of information. The schedule above is only for the prior six years and the current year. Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative practices.

SUNSET CITY
NOTES TO THE REQUIRES SUPPLEMENTARY INFORMATION
UTAH RETIREMENT SYSTEMS
JUNE 30, 2025

Changes in assumptions:

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

AUDITOR'S REPORTS



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

To the Mayor and City Council of
Sunset City

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sunset City, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Sunset City's basic financial statements, and have issued our report thereon dated February 2, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sunset 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Child Richards CPAs & Advisors

Ogden, Utah
February 2, 2026



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

To the Mayor and City Council of
Sunset City

Report On Compliance

We have audited Sunset City’s compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on Sunset City for the year ended June 30, 2025.

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

Budgetary Compliance	Fund Balance
Justice Court	Restricted Taxes and Related Revenues
Fraud Risk Assessment	Governmental Fees
Cash Management	Tax Levy Revenue Recognition
Impact Fees	Utah Retirement Systems
Crime Insurance for Public Treasurers	

Management’s Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor’s Responsibility

Our responsibility is to express an opinion on Sunset City’s compliance based on our audit of the state compliance requirements referred to above. 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 *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about Sunset City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of Sunset City’s compliance with those requirements.

Opinion on Compliance

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

Other Matters

The results of our auditing procedures disclosed two instances of noncompliance, which are required to be reported in accordance with the State Compliance Audit Guide and which are described in the accompanying schedule of findings and recommendations as items 2025-01, 2025-02, and 2025-03. Our opinion on compliance is not modified with respect to these matters.

Sunset City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings. Sunset City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report On Internal Control Over Compliance

Management of Sunset City is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sunset City's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sunset City's internal control over compliance.

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

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

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

Child, Richards CPAs & Advisors

Ogden, Utah
February 2, 2026

**SUNSET CITY
SCHEDULE OF FINDINGS
JUNE 30, 2025**

2025-01: Financial Reports

Criteria: Per state compliance, fifth class cities are required to prepare monthly financial reports detailed enough for the governing body to make adequate decisions regarding financial matters and should include all active funds.

Condition: Financial reports were not prepared monthly.

Cause: Management and the council were not aware of the city classifications and the requirements that came with being a fifth-class city.

Effect: There is no effect on the financial statements. The City is noncompliant with the Utah Code.

Recommendation: We recommend that management prepare financial reports monthly and that the council review the reports in order to be up to date with the financial condition of the City.

Management's Response: Management will prepare financial reports monthly and send those to the council for their review.

2025-02: Fraud Risk Assessment

Criteria: The Utah State Code requires that government entities prepare and approve the Fraud Risk Assessment and present the assessment in a council meeting at least six months within year-end.

Condition: As of December 31, 2025, the Fraud Risk Assessment had not been completed or presented in a public meeting.

Cause: The City did not present the assessment within the prescribed timeline.

Effect: There is no effect on the financial statements. The City is noncompliant with the Utah State Code requirement.

Recommendation: We recommend that the Fraud Risk Assessment be completed and presented and approved in a council meeting at least six months within year-end.

Management's Response: Management will ensure the Fraud Risk Assessment is completed, approved, and presented in a council meeting at least six months within year-end.

**SUNSET CITY
SCHEDULE OF FINDINGS
JUNE 30, 2025**

2025-03: Budgetary Compliance

Criteria: Per state compliance, total expenditures by fund or department should not exceed the amounts appropriated in the final adopted budget.

Condition: Total departments in the General fund exceeded final budgeted amounts.

Cause: The actual expenditures for the general government and community development were \$9,155 and \$9,199 over budget, respectively.

Effect: There is no effect on the financial statements. The City is noncompliant with the Utah Code.

Recommendation: We recommend the City keep a close eye on expenditures by fund and department throughout the year and adopt amendments as necessary based on actual expenditure activity.

Management's Response: Management has committed to keeping a close eye on the budget to ensure future expenditures are within budgeted amounts.