

FILLMORE CITY
FINANCIAL STATEMENTS
JUNE 30, 2026

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Kimball & Roberts

A Professional Corporation
Certified Public Accountants
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Richfield, Utah 84701

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Fillmore City
Fillmore, Utah 84631

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fillmore City, a governmental unit, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fillmore City, as of June 30, 2026, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 raised substantial doubt about Fillmore City's ability to continue as a going concern for one year after the date of the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fillmore 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 Fillmore 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, and Utah Retirement Systems pension liability and contribution information 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 State 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 statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fillmore City's basic financial statements. The section, combining and individual nonmajor fund financial statements, and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Fillmore City.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2026 on our consideration of Fillmore 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 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 Fillmore City's internal control over financial reporting and compliance.

Kimball & Roberts, PC

Certified Public Accountants

October 9, 2026
Richfield, Utah

Fillmore City, Utah **Management's Discussion and Analysis (MD&A)** **Year Ended June 30, 2026**

Purpose and Use of Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) provides an overview and analysis of Fillmore City's financial activities for the year ended June 30, 2026. This discussion helps readers understand the City's financial position, results of operations, significant financial activities, and known facts, decisions, and conditions that may affect future financial position or operations. This MD&A should be read in conjunction with the City's basic financial statements and accompanying notes, which provide additional detail and support for the information presented herein.

Fillmore City provides a broad range of governmental services to residents, including general government, public safety, streets and public improvements, and parks and recreation. The City also provides sanitation services through its business-type activities. These activities are financed primarily through taxes, grants and contributions, service charges, and investment earnings.

Management's discussion focuses on significant changes in financial position, revenues, expenses, capital assets, long-term obligations, and other factors affecting City operations during 2026. The discussion also addresses known economic and operational conditions that management believes may have a significant effect on future financial results.

Financial Highlights

At June 30, 2026, Fillmore City reported total net position of **\$40,062,618**, compared with **\$38,287,338** in 2025, an increase of **\$1,775,280, or 5%**. Governmental activities reported a net position of **\$13,866,019**, while business-type activities reported a net position of **\$26,196,599**.

During 2026, governmental activities decreased net position by **\$35,170**, while business-type activities increased net position by **\$1,810,450**. Governmental revenues decreased **1%**, while governmental expenses increased **1%**. Business-type revenues increased **7%**, while business-type expenses decreased **6%**.

Overview of the Financial Statements

Fillmore City's basic financial statements present the City's finances at both the government-wide and fund levels. The government-wide financial statements provide a broad overview of the City's financial position and activities using the economic resources measurement focus and accrual basis of accounting.

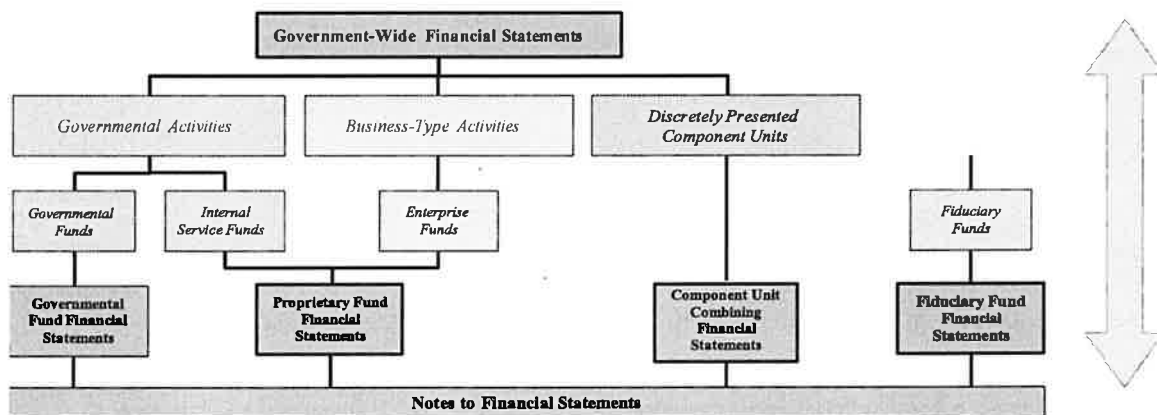
The government-wide financial statements distinguish between **governmental activities** and **business-type activities**. Governmental activities include general government, public safety, streets and public improvements, and parks and recreation and are financed primarily through taxes, grants and contributions, charges for services, and investment earnings. Business-type activities consist of the City's Sanitation Fund, an enterprise fund that provides sanitation services and is financed primarily through charges for services.

Governmental fund financial statements focus on near-term inflows and outflows of financial resources and the balances available to finance current operations. These statements use the current financial resources measurement focus and modified accrual basis of accounting. Accordingly, governmental funds do not report capital assets or certain long-term obligations but report the current financial resource effects associated with those items.

Proprietary fund financial statements report the City's business-type activities using the economic resources measurement focus and accrual basis of accounting. The notes to the financial statements provide additional information necessary for a full understanding of the amounts and disclosures presented in the basic financial statements.

The notes to the financial statements provide essential additional detail necessary for a full understanding of the financial statements.

Figure A-1. Contents of the City's/Town's Basic Financial Statements



Lastly, any discretely presented component units that are combined with nonmajor component units in a single column in the government-wide financial statements are disaggregated in **combining financial statements for discretely presented component units** following the fund financial statements.

The next section of this financial report contains the **notes to the financial statements**, which provide information that is essential to a full understanding of the data reported in the financial statements. The information in the notes is as important to understanding the City's finances as the information presented in the financial statements themselves. The City uses notes to:

1. present information in greater detail than is possible within the financial statements themselves.
2. explain the nature of amounts reported in the financial statements and how those amounts were determined; and
3. report certain information that does not meet the requirements for inclusion in the financial statements, such as certain commitments and contingencies.

Types of Information in the Financial Statements

All of Fillmore City's financial statements, **except the governmental fund financial statements**, use the **economic resources measurement focus** and the **accrual basis of accounting**. Under this approach, the statements report the full economic impact of transactions and events, regardless of when related cash flows occur. Accordingly, the government-wide financial statements and fiduciary fund statements report all elements of the City's financial position and results of operations, including:

- **Assets**, which represent resources controlled by the City, range from short-term assets such as cash and receivables to long-term assets such as land, buildings, infrastructure, and other capital assets.
- **Liabilities**, which represent obligations of the City, include short-term liabilities such as accounts payable and accrued expenses, as well as long-term obligations such as revenue bonds and net pension and other postemployment benefit liabilities.
- **Deferred outflows of resources and deferred inflows of resources**, which represent flows of resources applicable to future reporting periods, including amounts related to pensions, other postemployment benefits, and certain grant-related transactions.
- **Revenues and expenses**, which represent inflows and outflows of economic resources related to the current year, including taxes, intergovernmental revenues, charges for services, and the costs of providing City programs and services.

In contrast, the **governmental fund financial statements** use the **current financial resources measurement focus** and the **modified accrual basis of accounting**. This reporting model emphasizes near-term inflows and outflows of spendable resources and the balances available at year end to finance current operations.

Governmental funds do not report nonfinancial assets, such as capital assets, or certain long-term items, such as long-term debt and pension-related liabilities. However, they do report the flows of current financial resources associated with those long-term items. Examples include proceeds from the issuance of debt, proceeds from the sale of capital assets, principal and interest payments on outstanding obligations, and expenditures related to the acquisition or construction of capital assets.

Figure A-1. Contents of the City's Basic Financial Statements

	Financial Statements				
	<i>Government - Wide</i>	<i>Proprietary Fund</i>	<i>Fiduciary Fund</i>	<i>Component Unit</i>	Governmental Fund
Types of Assets and Liabilities	All assets and liabilities, both financial and nonfinancial, short term and long term.				Only current financial resources, such as cash, taxes receivable, and accounts payable.
Types of Revenues/Additions	All types of revenues/additions that flow into the government during the year that relate to that year, regardless of when cash is received.				Only revenues that are measurable and available to finance expenditures of that year.
Types of Expenses/Deductions/Expenditures	All types of expenses/deductions that flow out of the government during the year that relate to that year, regardless of when cash is paid.				Only expenditures for which the related governmental fund liability is incurred in that year.
Types of Deferred Outflows of Resources and Deferred Inflows of Resources	All types of resources that flow into and out of the government during the year that relate to a future year.				Current financial resources that flow into and out of the governmental funds during the year that relate to a future.

Fillmore City's Net Position

	Governmental Activities		(%) VAR	Business-Type Activities		(%) VAR	Total	
	2026	2025		2026	2025		2026	2025
Current/Other Assets	\$ 3,931,404	\$ 3,909,761	1%	\$ 13,421,512	\$ 12,508,707	7%	\$ 17,352,916	\$ 16,418,468
Capital Assets	10,667,239	10,958,391	-3%	16,342,241	15,529,271	5%	27,009,480	26,487,662
Other Noncurrent Assets	104,799	146,639	-29%	33,096	46,307	-29%	137,895	192,946
Total Assets	14,703,442	14,868,152	-1%	29,763,753	28,037,978	6%	44,467,195	42,906,130
Long-Term Liabilities	250,990	392,034	-36%	2,675,978	3,012,965	-11%	2,926,968	3,404,999
Other Liabilities	340,662	550,002	-38%	900,320	684,651	32%	1,240,982	1,234,653
Total Liabilities	591,652	942,036	-37%	3,576,298	3,697,616	-3%	4,167,950	4,639,652
Deferred Inflows of Resources	245,771	171,566	43%	23,952	520	4506%	269,723	172,086
Net Position:								
Net Investment in Capital Assets	10,390,819	10,634,315	-2%	13,365,412	12,268,442	9%	23,756,231	22,902,757
Restricted	1,854,796	1,635,209	13%	890,155	803,373	11%	2,744,951	2,438,582
Unrestricted	1,620,404	1,631,665	-1%	11,941,032	11,314,334	6%	13,561,436	12,945,999
Total Net Position	\$ 13,866,019	\$ 13,901,189	0%	\$ 26,196,599	\$ 24,386,149	7%	\$ 40,062,618	\$ 38,287,338

Government-Wide Financial Analysis

At June 30, 2026, the City reported total net position of **\$40,062,618**, compared with **\$38,287,338** at June 30, 2025. Governmental activities reported net position of **\$13,866,019**, while business-type activities reported net position of **\$26,196,599**.

Total assets increased from **\$42,906,130 to \$44,467,195**. Governmental assets decreased **1%**, from **\$14,868,152 to \$14,703,442**, while business-type assets increased **6%**, from **\$28,037,978 to \$29,763,753**. Governmental capital assets decreased **3%**, while business-type capital assets increased **5%**. Other noncurrent assets decreased **29%** for both governmental and business-type activities.

Total liabilities decreased from **\$4,639,652 to \$4,167,950**. Governmental liabilities decreased **37%**, from **\$942,036 to \$591,652**, while business-type liabilities decreased **3%**, from **\$3,697,616 to \$3,576,298**. Governmental long-term liabilities decreased **36%**, while business-type long-term liabilities decreased **11%**.

At year-end, net investment in capital assets totaled **\$23,756,231**, restricted net position totaled **\$2,744,951**, and unrestricted net position totaled **\$13,561,436**. Governmental net investment in capital assets decreased **2%**, while business-type net investment in capital assets increased **9%**. Governmental restricted net position increased **13%**, while business-type restricted net position increased **11%**. Governmental unrestricted net position decreased **1%**, while business-type unrestricted net position increased **6%**.

Governmental Activities

Governmental activities reported revenues of **\$4,404,894** in 2026, a decrease of **1%** from **\$4,440,513** in 2025. Charges for services increased **9%**, other taxes increased **6%**, and other revenues increased **77%**. These increases were offset by decreases of **24%** in operating grants, **13%** in unrestricted investment earnings, and **8%** in property taxes.

Other taxes represented **35%** of governmental revenues during 2026, followed by charges for services at **33%**, operating grants at **15%**, unrestricted investment earnings at **10%**, property taxes at **4%**, and other revenues at **3%**.

Governmental expenses increased **1%**, from **\$4,394,228 to \$4,440,064**. General government expenses increased **15%** and sanitation expenses increased **2%**, while parks and recreation decreased **8%**, public safety decreased **3%**, highways decreased **1%**, and interest on long-term debt decreased **79%**. Highways represented **27%** of governmental expenses, followed by general government at **26%**, parks and recreation at **19%**, sanitation at **16%**, and public safety at **12%**. Governmental activities decreased net position by **\$35,170** during 2026, compared with an increase of **\$46,285** in 2025.

Business-Type Activities

Business-type activities reported revenues of **\$6,401,517** in 2026, an increase of **7%** from **\$5,996,571** in 2025. Charges for services increased **9%**, and other taxes of **\$554,639** were reported during 2026. Unrestricted investment earnings decreased **10%**, while other revenues decreased **8%**. No capital grant revenue was reported in 2026, compared with **\$540,000** in 2025.

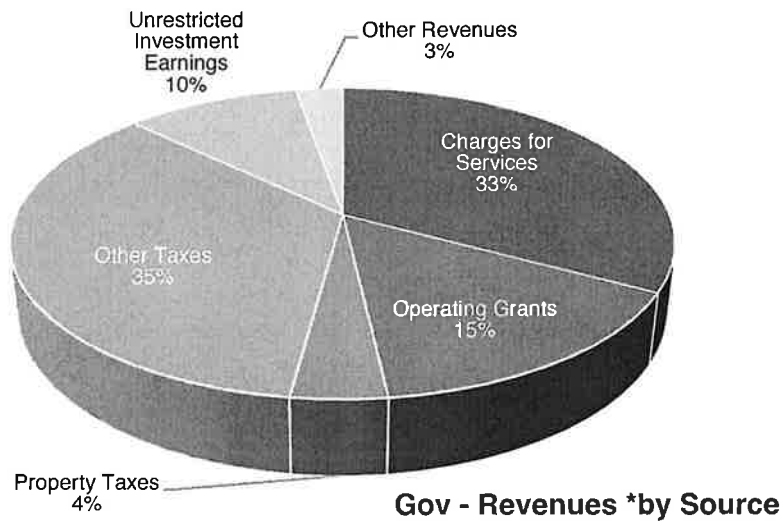
Charges for services represented **85%** of business-type revenues during 2026, followed by other taxes at **9%**, other revenues at **5%**, and unrestricted investment earnings at **1%**. Business-type expenses decreased **6%**, from **\$4,900,194 to \$4,591,067**. Sanitation expenses decreased **6%**, while interest on long-term debt decreased **11%**. Business-type activities increased net position by **\$1,810,450** during 2026, compared with **\$1,096,377** in 2025. Ending business-type net position was **\$26,196,599**.

Fillmore City's Changes in Net Position

	Governmental Activities		(%) VAR	Business-Type Activities		(%) VAR	Total	
	2026	2025		2026	2025		2026	2025
Revenues:								
Program Revenues:								
Charges for Services	\$ 1,451,153	\$ 1,328,489	9%	\$ 5,432,783	\$ 5,005,488	9%	\$ 6,883,936	\$ 6,333,977
Operating Grants	670,471	881,739	-24%	-	-	0%	670,471	881,739
Capital Grants	-	-	0%	-	540,000	100%	-	540,000
General Revenues:								
Property Taxes	175,127	189,738	-8%	-	-	0%	175,127	189,738
Other Taxes	1,540,070	1,459,093	6%	554,639	-	0%	2,094,709	1,459,093
Unrestricted								
Investment Earnings	445,800	512,305	-13%	75,787	84,501	-10%	521,587	596,806
Other Revenues	122,273	69,149	77%	338,308	366,582	-8%	460,581	435,731
Total Revenues	4,404,894	4,440,513	-1%	6,401,517	5,996,571	7%	10,806,411	10,437,084

Fillmore City's Changes in Net Position – (continued)

	Governmental Activities		Business-Type Activities		Total	
	2026	2025	(%) VAR	2026	2025	(%) VAR
Expenses:						
General Government	1,165,821	1,017,593	15%	-	-	0%
Public Safety	517,969	532,515	-3%	-	-	0%
Highways	1,201,263	1,211,631	-1%	-	-	0%
Sanitation	725,260	708,140	2%	4,535,238	4,837,315	-6%
Parks and Recreation	822,734	891,101	-8%	-	-	0%
Interest on Long-Term Debt	7,017	33,248	-79%	55,829	62,879	-11%
				62,846	96,127	
Total Expenses	4,440,064	4,394,228	1%	4,591,067	4,900,194	-6%
				9,031,131	9,294,422	
Increase (Decrease) in Net Position Before Transfers	(35,170)	46,285	-176%	1,810,450	1,096,377	65%
				1,775,280	1,142,662	
Other Sources (Uses):						
Transfers In (Out)	-	-	0%	-	-	0%
				-	-	
Increase in Net Position	(35,170)	46,285	-176%	1,810,450	1,096,377	65%
				1,775,280	1,142,662	
Net Position-Beginning	13,901,189	13,854,904	0%	24,386,149	23,289,772	5%
				38,287,338	37,144,676	
Net Position-Ending	\$ 13,866,019	\$ 13,901,189	0%	\$ 26,196,599	\$ 24,386,149	7%
				\$ 40,062,618	\$ 38,287,338	



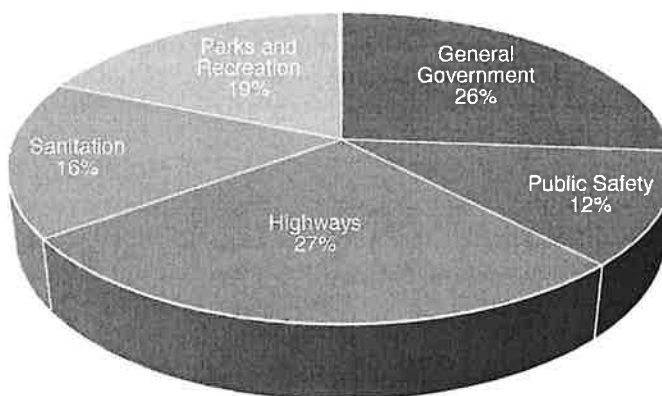
Changes in Revenues

Other taxes represented the City's largest governmental revenue source during 2026, accounting for **35 percent** of governmental revenues. Charges for services represented **33 percent**, operating grants **15 percent**, unrestricted investment earnings **10 percent**, property taxes **4 percent**, and other revenues **3 percent**.

Governmental revenues decreased **1 percent** during 2026. The largest unfavorable changes were a **24 percent decrease in operating grants** and a **13 percent decrease in investment earnings**, partially offset by increases of **9 percent in charges for services**, **6 percent in other taxes**, and **77 percent in other revenues**.

Business-type revenues increased **7 percent**, primarily reflecting a **9 percent increase in charges for services** and **\$554,639 of other tax revenue** reported in 2026.

Gov - Expenses *by Source



Growth in Expenses

Governmental expenses were concentrated primarily in **highways**, which represented **27 percent** of governmental expenses during 2026. General government represented **26 percent**, parks and recreation **19 percent**, sanitation **16 percent**, and public safety **12 percent**.

Total governmental expenses increased **1 percent**, from **\$4,394,228** to **\$4,440,064**. The increase was primarily attributable to a **15 percent increase in general government expenses**, partially offset by decreases in parks and recreation, public safety, highways, and interest on long-term debt.

Governmental Funds

At June 30, 2026, Fillmore City's governmental funds reported combined ending fund balances of **\$3,026,016**, compared with **\$2,783,337** at the beginning of the year, an increase of **\$242,679, or 9%**. Total governmental fund revenues were **\$4,404,895**, while expenditures totaled **\$4,128,818**. After net other financing uses of **\$33,398**, governmental fund balances increased **\$242,679**.

The **General Fund** reported revenues of **\$4,268,888** and expenditures of **\$4,039,173**. After net other financing uses of **\$83,398**, fund balance increased **\$146,317** to **\$2,098,252**, an increase of **7%**.

The **Perpetual Care Permanent Fund** reported revenues of **\$46,082** and no expenditures, increasing fund balance from **\$46,082** to **\$733,095**, an increase of **7%**. The City's **nonmajor governmental funds** reported revenues of **\$89,925** and expenditures of **\$89,645**. After a **\$50,000 transfer in**, fund balance increased **\$50,280** to **\$194,669**, an increase of **35%**.

Significant Capital Asset and Long-Term Financing Activity

At June 30, 2026, Fillmore City's governmental capital assets, net of depreciation, totaled **\$10,667,239**, compared with **\$10,958,391** in 2025, a decrease of **3 percent**. Improvements other than buildings increased **5 percent**, from **\$3,663,442** to **\$3,853,948**. These increases were offset by decreases in construction in progress of **74 percent**, equipment and vehicles of **13 percent**, buildings of **3 percent**, and infrastructure of **2 percent**. Land and water rights remained unchanged at **\$767,515**.

Fillmore City's Capital Assets (net of depreciation)

	Governmental Activities			Business-Type Activities		
	2026	2025	(%) VAR	2026	2025	(%) VAR
Land & Water Rights	\$ 767,515	\$ 767,515	0%	\$ 1,891,683	\$ 1,568,798	21%
Infrastructure	4,882,358	4,998,188	-2%	-	-	0%
Buildings	414,734	427,580	-3%	101,810	110,324	-8%
Improvements Other Than Buildings	3,853,948	3,663,442	5%	13,986,522	13,717,374	2%
Equipment, Vehicles	659,039	755,478	-13%	94,793	132,775	-29%
Construction in Progress	89,645	346,188	-74%	267,433	-	0%
Total	\$ 10,667,239	\$ 10,958,391	-3%	\$ 16,342,241	\$ 15,529,271	5%

Business-type capital assets, net of depreciation, totaled **\$16,342,241**, compared with **\$15,529,271** in 2025, an increase of **5 percent**. Land and water rights increased **21 percent**, from **\$1,568,798 to \$1,891,683**, while improvements other than buildings increased **2 percent**, from **\$13,717,374 to \$13,986,522**. Construction in progress increased from **\$0 to \$267,433** during 2026. These increases were partially offset by decreases in equipment and vehicles of **29 percent** and buildings of **8 percent**.

Additional information regarding the City’s capital assets is presented in the notes to the financial statements.

Long-Term Debt

At June 30, 2026, Fillmore City reported governmental long-term debt of **\$137,578**, compared with **\$247,372** in 2025, a decrease of **44 percent**. Business-type long-term debt totaled **\$2,976,829**, compared with **\$3,260,829** in 2025, a decrease of **9 percent**. Overall, the City’s outstanding long-term debt decreased from **\$3,508,201 to \$3,114,407** during 2026.

Additional information regarding the City’s long-term obligations is presented in the notes to the financial statements.

Long-Term Debt

	Governmental Activities			Business-Type Activities		
	2026	2025	(%) VAR	2026	2025	(%) VAR
Long-Term Debt	\$ 137,578	\$ 247,372	-44%	\$ 2,976,829	\$ 3,260,829	-9%

Currently Known Facts, Decisions, or Conditions

Management continues to evaluate personnel and benefit costs, state and federal funding, inflation, interest rates, development activity, and capital infrastructure needs that may affect the City’s future financial position. Intergovernmental funding remains an important source of support for City programs and capital projects; therefore, known changes in funding availability, timing, or program requirements are incorporated into the City’s budgeting and financial planning processes.

The City also evaluates the maintenance and replacement of roads, facilities, equipment, and other public assets as part of its capital planning process. Management incorporates known economic, funding, personnel, and capital considerations into its budgeting and long-term financial planning.

State Funding

Fillmore City’s operations and capital projects may be affected by State appropriations, grant programs, and legislative actions. Management monitors State funding decisions and incorporates known changes affecting City programs and capital projects into its budgeting and capital planning processes.

Pension Plan Changes

Fillmore City participates in the Utah Retirement Systems (URS) to provide retirement benefits to eligible employees. Pension-related amounts reported in the financial statements are affected by employer contribution rates, actuarial assumptions, investment performance, and changes in applicable retirement system requirements.

Management monitors information provided by URS and incorporates known changes in contribution requirements and pension-related costs into the City's budgeting and financial planning processes.

Request for Information

This financial report is designed to provide a general overview of Fillmore City's finances for those interested in the City's financial activities. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Fillmore City Recorder, 75 West Center Street, Fillmore, Utah 84631.

BASIC FINANCIAL STATEMENTS

FILLMORE CITY
STATEMENT OF NET POSITION
June 30, 2026

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Unrestricted Cash and Cash Equivalents	\$ 1,248,074	\$ 8,145,599	\$ 9,393,673
Restricted Cash and Cash Equivalents	1,854,796	890,155	2,744,951
Investments	-	3,712,450	3,712,450
Accounts Receivable (Net)	58,056	515,888	573,944
Due From Other Governments	61,666	-	61,666
Inventory	26,940	-	26,940
Property Tax Receivable	196,872	-	196,872
Total Current Assets	3,446,404	13,264,092	16,710,496
Noncurrent Assets:			
Notes Receivable	485,000	157,420	642,420
Capital Assets:			
Not Being Depreciated	857,160	2,159,116	3,016,276
Net of Depreciation	9,810,079	14,183,125	23,993,204
Total Noncurrent Assets	11,152,239	16,499,661	27,651,900
Other Noncurrent Assets:			
Net Pension Assets	12,274	3,877	16,151
Deferred Outflows of Resources Related To Pensions	92,525	29,219	121,744
Total Other Noncurrent Assets	104,799	33,096	137,895
TOTAL ASSETS	\$ 14,703,442	\$ 29,796,849	\$ 44,500,291
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 250,466	\$ 452,631	\$ 703,097
Accrued Liabilities	-	8,242	8,242
Accrued Interest Payable	992	26,688	27,680
Deposits Payable	-	92,175	92,175
Compensated Absences	39,954	12,584	52,538
Note Payable	30,250	-	30,250
Revenue Bonds Payable - Due Within One Year	19,000	308,000	327,000
Total Current Liabilities	340,662	900,320	1,240,982
Noncurrent Liabilities:			
Sales Tax Revenue Bonds	100,000	-	100,000
Note Payable	127,170	-	127,170
Net Pension Liability	18,578	5,867	24,445
Revenue Bonds Payable - More Than One Year	-	2,668,829	2,668,829
Compensated Absences	5,242	1,282	6,524
Total Noncurrent Liabilities	250,990	2,675,978	2,926,968
TOTAL LIABILITIES	591,652	3,576,298	4,167,950
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	75,849	23,952	99,801
Unearned Property Tax	169,922	-	169,922
TOTAL DEFERRED INFLOWS OF RESOURCES	245,771	23,952	269,723
NET POSITION			
Net Investment in Capital Assets	10,390,819	13,365,412	23,756,231
Restricted For:			
Community and Economic Development	166,551	-	166,551
Perpetual Care	733,095	-	733,095
Bond Reserves	22,150	890,155	912,305
Class C Roads	933,000	-	933,000
Unrestricted	1,620,404	11,941,032	13,561,436
TOTAL NET POSITION	13,866,019	26,196,599	40,062,618
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 14,703,442	\$ 29,796,849	\$ 44,500,291

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

FILLMORE CITY
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2026

Function/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 1,165,821	\$ 619,398	\$ 193,022	\$ -	\$ (353,401)	\$ -	\$ (353,401)
Public Safety	517,969	4,641	138,342	-	(374,986)	-	(374,986)
Highways and Public Improvements	1,201,263	-	339,107	-	(862,156)	-	(862,156)
Sanitation	725,260	721,428	-	-	(3,832)	-	(3,832)
Parks, Recreation & Cemetery	822,734	105,686	-	-	(717,048)	-	(717,048)
Interest on Long-Term Debt	7,017	-	-	-	(7,017)	(55,829)	(62,846)
Total Governmental Activities	4,440,064	1,451,153	670,471	-	(2,318,440)	(55,829)	(2,374,269)
Business-Type Activities:							
Water Fund	767,171	1,115,108	-	-	-	347,937	347,937
Sewer Fund	206,066	205,894	-	-	-	(172)	(172)
Electric Fund	3,562,001	4,111,781	-	-	-	549,780	549,780
Total Business-Type Activities	4,535,238	5,432,783	-	-	-	897,545	897,545
Total Primary Government	\$ 8,975,302	\$ 6,883,936	\$ 670,471	\$ -	\$ (2,318,440)	841,716	(1,476,724)
General Revenues:							
Property Taxes					175,127	-	175,127
Fee-In-Lieu of Property Taxes					13,960	-	13,960
Sales Taxes					862,972	-	862,972
Other Taxes					663,138	-	663,138
Impact Fees					-	554,639	554,639
Net Increase (Decrease) in FMV of Investments					-	39,042	39,042
Other Revenues (Expenses)					122,273	299,266	421,539
Unrestricted Investment Earnings					445,800	75,787	521,587
Total General Revenues					2,283,270	968,734	3,252,004
Change in Net Position					(35,170)	1,810,450	1,775,280
Net Position - Beginning					13,901,189	24,386,149	38,287,338
Net Position - Ending					\$ 13,866,019	\$ 26,196,599	\$ 40,062,618

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

**FILLMORE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2026**

	General Fund	Perpetual Care Permanent Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,214,000	\$ -	\$ 34,074	\$1,248,074
Cash and Cash Equivalents-Restricted	955,150	733,095	166,551	1,854,796
Accounts Receivable (Net)	58,056	-	-	58,056
Due From Other Governments	61,666	-	-	61,666
Property Taxes Receivable	196,872	-	-	196,872
Inventory	26,940	-	-	26,940
TOTAL ASSETS	\$ 2,512,684	\$ 733,095	\$ 200,625	\$3,446,404
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 244,510	\$ -	\$ 5,956	\$ 250,466
Total Liabilities	244,510	-	5,956	250,466
Deferred Inflows of Resources:				
Property Taxes - Unearned	169,922	-	-	169,922
Fund Balances:				
Nonspendable:				
Inventory	26,940	-	-	26,940
Restricted For:				
Class C Roads	933,000	-	-	933,000
Bond Reserve	22,150	-	-	22,150
Redevelopment	-	-	166,551	166,551
Perpetual Care	-	733,095	-	733,095
Committed For:				
Fire Department	92,573	-	-	92,573
Assigned for Capital Projects	-	-	28,118	28,118
Unassigned	1,023,589	-	-	1,023,589
Total Fund Balances	2,098,252	733,095	194,669	3,026,016
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,512,684	\$ 733,095	\$ 200,625	\$3,446,404

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

FILLMORE CITY
GOVERNMENTAL BALANCE SHEET RECONCILIATION TO THE STATEMENT OF NET POSITION
June 30, 2026

Total Fund Balances - Governmental Fund Types \$ 3,026,016

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

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

Land	\$ 767,515	
Construction In Progress	89,645	
Buildings and Improvements	414,734	
Improvements Other than Buildings	3,853,948	
Equipment	475,504	
Vehicles	183,535	
Infrastructure	<u>4,882,358</u>	
 Total		 10,667,239

Long-term notes receivable are not financial resources and, therefore, are not reported in the fund statements.

Notes Receivable		485,000
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To recognize resources associated with pension assets and deferred outflows of pension resources:

Net Pension Assets	12,274	
Deferred Outflows of Resources Related to Pensions	<u>92,525</u>	
 Total		 104,799

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

Net Pension Liability	\$ (18,578)	
Deferred Inflows of Resources Related to Pensions	<u>(75,849)</u>	
 Total Pension Liability and Deferred Inflows of Resources		 (94,427)

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

Sales Tax Revenue Bonds	\$ (119,000)	
Note Payable	(157,420)	
Accrued Interest Payable	(992)	
Compensated Absences	<u>(45,196)</u>	
 Total Long-Term Liabilities		 <u>(322,608)</u>

Net Position of Government Activities		<u><u>\$13,866,019</u></u>
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The notes to the financial statements are an integral part of this statement.

FILLMORE CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2026

	General Fund	Perpetual Care Permanent Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$1,715,197	\$ -	\$ -	\$ 1,715,197
Licenses and Permits	126,541	-	-	126,541
Intergovernmental Revenue	670,471	-	-	670,471
Charges for Services	737,594	16,780	-	754,374
Fines and Forfeitures	91,344	-	-	91,344
Interest	416,127	29,302	371	445,800
Miscellaneous Revenues	511,614	-	89,554	601,168
	<u>4,268,888</u>	<u>46,082</u>	<u>89,925</u>	<u>4,404,895</u>
Total Revenues				
	<u>4,268,888</u>	<u>46,082</u>	<u>89,925</u>	<u>4,404,895</u>
Expenditures:				
Current:				
General Government	1,099,662	-	89,645	1,189,307
Public Safety	455,991	-	-	455,991
Highways and Public Improvements	1,035,428	-	-	1,035,428
Sanitation	725,260	-	-	725,260
Parks and Recreation	722,832	-	-	722,832
	<u>4,039,173</u>	<u>-</u>	<u>89,645</u>	<u>4,128,818</u>
Total Expenditures				
	<u>4,039,173</u>	<u>-</u>	<u>89,645</u>	<u>4,128,818</u>
Excess of Revenues Over (Under) Expenditures	<u>229,715</u>	<u>46,082</u>	<u>280</u>	<u>276,077</u>
Other Sources and (Uses):				
Transfer In (Out)	(50,000)	-	50,000	-
Interest on Interfund Loan Payment	(3,742)	-	-	(3,742)
Interfund Loan Payment	(29,656)	-	-	(29,656)
	<u>(83,398)</u>	<u>-</u>	<u>50,000</u>	<u>(33,398)</u>
Total Other Sources and (Uses)				
	<u>(83,398)</u>	<u>-</u>	<u>50,000</u>	<u>(33,398)</u>
Net Increase (Decrease) in Fund Balance	146,317	46,082	50,280	242,679
Fund Balance - Beginning	<u>1,951,935</u>	<u>687,013</u>	<u>144,389</u>	<u>2,783,337</u>
Fund Balance - Ending	<u>\$ 2,098,252</u>	<u>\$ 733,095</u>	<u>\$ 194,669</u>	<u>\$ 3,026,016</u>

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

FILLMORE CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2026

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 242,679
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	\$ 334,743	
Depreciation Expense	<u>(625,895)</u>	
Total		(291,152)

The Statement of Activities reports net pension expense and benefit expense from application of GASB 68 which is not shown in the fund statements.	(24,251)
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The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Sales Tax Revenue Bond Principal Paid	\$ 18,000	
Interfund Note Payable Principal Paid	29,656	
Decrease in Interest Payable	150	
increase in Compensated Absences	<u>(10,252)</u>	
Total		<u>37,554</u>

Changes In Net Position of Governmental Activities	<u><u>\$ (35,170)</u></u>
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The notes to the financial statements are an integral part of this statement.

FILLMORE CITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2026

	Business-Type Activities Proprietary Funds			
	Water	Sewer	Electric	Total
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 676,913	\$ 1,859,474	\$ 5,609,212	\$ 8,145,599
Restricted Cash and Cash Equivalents	890,155	-	-	890,155
Investments	-	-	3,712,450	3,712,450
Accounts Receivable - Net	155,472	14,208	346,208	515,888
Total Current Assets	1,722,540	1,873,682	9,667,870	13,264,092
Noncurrent Assets:				
Note Receivable	-	-	157,420	157,420
Capital Assets:				
Not Being Depreciation	990,892	893,866	6,925	1,891,683
Net of Accumulated Depreciation	7,840,711	1,011,100	5,598,747	14,450,558
Total Noncurrent Assets	8,831,603	1,904,966	5,763,092	16,499,661
Other Noncurrent Assets:				
Net Pension Assets	1,454	969	1,454	3,877
Related to Pensions	10,957	7,305	10,957	29,219
Total Other Noncurrent Assets	12,411	8,274	12,411	33,096
TOTAL ASSETS	<u>\$ 10,566,554</u>	<u>\$ 3,786,922</u>	<u>\$ 15,443,373</u>	<u>\$ 29,796,849</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 3,300	\$ 38,234	\$ 411,097	\$ 452,631
Accrued Liabilities	-	-	8,242	8,242
Accrued Interest Payable	26,688	-	-	26,688
Customer Deposits	-	-	92,175	92,175
Compensated Absences - Current	5,619	3,360	3,605	12,584
Bonds Payable - Current Portion	308,000	-	-	308,000
Total Current Liabilities	343,607	41,594	515,119	900,320
Noncurrent Liabilities:				
Compensated Absences - Noncurrent	389	410	483	1,282
Net Pension Liability	2,200	1,467	2,200	5,867
Bonds Payable - Long-Term Portion	2,668,829	-	-	2,668,829
Total Noncurrent Liabilities	2,671,418	1,877	2,683	2,675,978
TOTAL LIABILITIES	<u>3,015,025</u>	<u>43,471</u>	<u>517,802</u>	<u>3,576,298</u>
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	8,982	5,988	8,982	23,952
NET POSITION:				
Net Investment in Capital Assets	5,854,774	1,904,966	5,605,672	13,365,412
Restricted For:				
Bond Reserves	890,155	-	-	890,155
Unrestricted	797,618	1,832,497	9,310,917	11,941,032
TOTAL NET POSITION	<u>7,542,547</u>	<u>3,737,463</u>	<u>14,916,589</u>	<u>26,196,599</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 10,566,554</u>	<u>\$ 3,786,922</u>	<u>\$ 15,443,373</u>	<u>\$ 29,796,849</u>

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

FILLMORE CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For The Fiscal Year Ended June 30, 2026

	Business-Type Activities Proprietary Funds			
	Water	Sewer	Electric	Total
Operating Revenues:				
Charges for Sales and Services	\$1,115,108	\$ 205,894	\$ 4,111,781	\$ 5,432,783
Total Operating Revenues	1,115,108	205,894	4,111,781	5,432,783
Operating Expenses:				
Salaries and Wages	64,637	44,566	37,903	147,106
Employee Benefits	36,195	25,137	27,212	88,544
Administrative Expense	32,400	10,200	170,400	213,000
Power Purchases	-	-	2,450,883	2,450,883
Contractual Services	882	15,788	385,191	401,861
Materials and Supplies	73,969	5,730	48,474	128,173
Insurance	34,161	8,585	11,199	53,945
Utilities	138,992	1,480	1,993	142,465
Energy Sales and Use Tax	-	-	127,051	127,051
Depreciation	301,139	53,351	277,865	632,355
Miscellaneous	81,925	39,315	20,959	142,199
Total Operating Expenses	764,300	204,152	3,559,130	4,527,582
Operating Income	350,808	1,742	552,651	905,201
Nonoperating Revenues (Expenses):				
Impact Fees Received (Used)	142,671	360,164	51,804	554,639
Miscellaneous	3,809	959	56,408	61,176
Interest Earned	-	-	75,787	75,787
Water Conveyance Fees	238,090	-	-	238,090
Net Increase (Decrease) in FMV of Investments	-	-	39,042	39,042
Pension Expense	(2,871)	(1,914)	(2,871)	(7,656)
Interest Expense	(55,829)	-	-	(55,829)
Total Nonoperating Revenues (Expenses)	325,870	359,209	220,170	905,249
Change in Net Position	676,678	360,951	772,821	1,810,450
Total Net Position - Beginning	6,865,869	3,376,512	14,143,768	24,386,149
Total Net Position - Ending	\$7,542,547	\$3,737,463	\$14,916,589	\$26,196,599

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

FILLMORE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Fiscal Year Ended June 30, 2026

	Business-Type Activities Proprietary Funds			
	Water	Sewer	Electric	Total
Cash Flows From Operating Activities:				
Receipts From Customers	\$ 1,052,426	\$ 205,452	\$ 4,161,414	\$ 5,419,292
Payments to Suppliers	(400,181)	(44,256)	(3,020,280)	(3,464,717)
Payments to Employees	(100,832)	(69,703)	(65,115)	(235,650)
Net Cash Provided by Operating Activities	551,413	91,493	1,076,019	1,718,925
Cash Flows From Capital and Related Financing Activities:				
Principal Paid on Capital Debt	(284,000)	-	-	(284,000)
Long-Term Receivable	-	-	3,742	3,742
Capital Asset Acquisitions	(375,827)	(267,433)	(802,066)	(1,445,326)
Water Conveyance Fees	238,090	-	-	238,090
Interfund Loan	-	-	29,656	29,656
Sale of Materials	3,809	960	800	5,569
Impact Fees Received (Expended)	142,671	360,164	51,804	554,639
Interest Paid on Capital Debt	(59,023)	-	-	(59,023)
Net Cash Provided (Used) by Capital and Related Financing Activities	(334,280)	93,691	(716,064)	(956,653)
Cash Flows from Investing Activities:				
Net Increase (Decrease) FMV of Investments	-	-	39,042	39,042
Interest Earned	-	-	72,046	72,046
Net Cash Provided (Used) by Investing Activities	-	-	111,088	111,088
Net Increase (Decrease) in Cash and Investments	217,133	185,184	471,043	873,360
Cash and Cash Investments - Beginning	1,349,935	1,674,290	8,850,619	11,874,844
Cash and Cash Investments - Ending	\$ 1,567,068	\$ 1,859,474	\$ 9,321,662	\$ 12,748,204
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:				
Operating Income (Loss)	\$ 350,806	\$ 1,743	\$ 608,259	\$ 960,808
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation	301,139	53,351	277,865	632,355
Increase (Decrease) in Operating Assets:				
Accounts Receivable	(62,682)	(442)	(5,978)	(69,102)
Accounts Payable	(41,262)	35,805	172,554	167,097
Accrued Liabilities	3,412	1,036	3,554	8,002
Customer Deposits	-	-	19,765	19,765
Total Adjustments	200,607	89,750	467,760	758,117
Net Cash Provided by Operating Activities	\$ 551,413	\$ 91,493	\$ 1,076,019	\$ 1,718,925

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

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2026

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Fillmore City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2026.

The following is a summary of the more significant policies:

A. Reporting Entity

Fillmore City is a municipal corporation in Millard County, Utah. It is governed by an elected mayor and five-member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Fillmore City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Fillmore City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

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

The Government also reports the following Other Governmental Funds:

Redevelopment Agency - This fund accounts for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

Capital Improvement Fund - These funds account for revenue sources that are restricted to expenditures for specific capital improvement projects.

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Government reports the following Enterprise Funds:

The Water, Sewer, and Electric Funds account for the activities of the City utility funds operation. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise funds' principal ongoing operations. The principal operating revenues of the Water, Sewer, and Electric Funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Net Position or Equity

Deposits and Investments:

The cash balances of substantially all funds are pooled and invested by the City for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The City's investments are reported at amortized cost, which approximates fair value at year-end. The Utah Public Treasurers' Investment Fund (PTIF) operates in accordance with appropriate Utah state laws. Investments are recorded at amortized cost, which approximates fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The fair value of the City's position in the PTIF investment pool is the same as the value of the pool shares. Changes in the fair value in investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to funds based on the average earnings of each participating fund.

Cash and Investments:

The City considers cash and cash equivalents to be cash on hand and demand deposits, and considers investments to be short-term investments with original maturities of three months or less from the date of acquisition, including the PTIF.

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 more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Water System	40 - 50 Years
Buildings	40 - 50 Years
Vehicles	5 - 10 Years
Equipment	5 - 10 Years
Infrastructure	20 - 50 Years

The City has adopted and complied with GASB 87, regarding the classification and disclosure of leases and the related leased assets and liabilities. The City has also adopted and complied with GASB 96, regarding intangible assets.

Long-Term Obligations:

In the government-wide financial statements governmental long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Equity Classifications:

Equity is classified in the government-wide financial statements as net position and is displayed in three components:

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

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Restricted fund balance classification are restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance classification includes those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority.

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. It also includes all remaining amounts that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted, or committed, and are intended to be used for specific purposes.

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

Proprietary Fund equity is classified the same as in the government-wide statements.

E. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Once adopted, the budget may be amended by the City council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

F. Property Taxes:

Property taxes are assessed and collected for the City by Millard County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

G. Use of Estimates:

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has only one type of item that qualifies for reporting in this category, deferred outflows as relating to pensions as described in Note 14.

In addition to liabilities, the Statement of Net Position 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 so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The City reports unavailable revenues from property taxes and deferred inflows as relating to pensions as described in Note 14. These amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

I. Date of Subsequent Event Evaluation:

Fillmore City's subsequent events have been evaluated through the date of the financial statement issuance of October 9, 2026.

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Pensions

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

NOTE 2 - CASH AND INVESTMENTS

Deposits:

Deposits and Investments are carried at amortized cost, which approximates fair value. A reconciliation of cash and investments at June 30, 2026, as shown on the financial statements is as follows:

	<u>Carrying at Fair Value</u>
Petty Cash	\$ 500
Demand Deposits - Checking	1,197,594
Investment - PTIF	10,940,530
Investments	<u>3,712,450</u>
 Total Cash and Investments	 <u><u>\$15,851,074</u></u>
 Governmental Activities - Unrestricted	 \$ 1,248,074
Governmental Activities - Restricted	1,854,796
Business-Type Activities - Unrestricted	11,858,049
Business-Type Activities - Restricted	<u>890,155</u>
 Total Cash and Investments	 <u><u>\$15,851,074</u></u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2026, \$865,616 of the City's bank balances of \$1,240,170 was uninsured and uncollateralized.

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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 City's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse purchase 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.

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.

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Fair Value of Investments

The City measures and records its investments at amortized cost, which approximates 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, 2026, the City had the following recurring fair value measurements:

<u>Investments By Fair Value Level</u>	June 30, 2026	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities:				
Utah Public Treasurers' Investment Fund	\$ 10,940,530	\$ -	\$ 10,940,530	\$ -
Morton Capital Markets - Bonds	3,712,450	3,712,450	-	-
Total Investments by Fair Value Level	\$ 14,652,980	\$ 3,712,450	\$ 10,940,530	\$ -

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

- * Utah Public Treasurers' Investment Fund: application of the June 30, 2026 fair value factor, as calculated by the Utah State Treasurer, to the City's average daily balance in the Fund; and
- * Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the 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.

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2026, the City's investments had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Utah Public Treasurers' Investment Fund	\$ 10,940,530	\$ 10,940,530	\$ -	\$ -	\$ -
Morton Capital Markets - Bonds	3,712,450	3,712,450	-	-	-
Total	\$ 14,652,980	\$ 14,652,980	\$ -	\$ -	\$ -

Credit Risk

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

At June 30, 2026, the City's investments had the following quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Utah Public Treasurers' Investment Fund	\$ 10,940,530	\$ -	\$ -	\$ -	\$ 10,940,530
Morton Capital Markets - Bonds	3,712,450	-	1,939,074	-	1,773,376
Total	\$ 14,652,980	\$ -	\$ 1,939,074	\$ -	\$ 12,713,906

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments with a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. The City places no other limits on the amount it may invest in any one issuer.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. As of June 30, 2026, the City had \$10,940,530 in debt security investments, level 2, which were held by the investment's counterparty. The City places no other limits on the amount of investments to be held by counterparties.

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - RECEIVABLES

Net Receivables as of year-end for the City's funds are shown below:

	Due From Other Governments	Notes Receivable	Customers	Total Receivables
General Fund	\$ 258,538	\$ -	\$ 58,056	\$ 316,594
RDA Fund	-	485,000	-	485,000
Water Fund	-	-	155,472	155,472
Sewer Fund	-	-	14,208	14,208
Electric Fund	-	-	346,208	346,208
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 258,538</u>	<u>\$ 485,000</u>	<u>\$ 573,944</u>	<u>\$ 1,317,482</u>

Notes Receivable - RDA Fund:

Notes receivable in the RDA Fund consists of one \$30,000 subordinated promissory notes. The notes are the result of a loan made by the City under the Walker Low Income Housing Program. The promissory notes are not due and payable until one of the following criteria are met: 1) the primary mortgage is paid off; 2) the property is sold; or 3) the primary mortgage is refinanced and the household income for the borrower exceeds a certain percentage of the Base Month Area Median Income. The notes do not accrue interest until one of the conditions listed above is met.

On October 2, 2018, Fillmore City Redevelopment Agency loaned Fillmore Business Park, LLC \$265,000 to be repayable annually beginning August 15, 2025 and is secured by real property. The annual payments will be \$31,066 per annum for a period of 10 years. If Fillmore Business Park, LLC meets certain applicable performance obligations, the annual loan payment will be \$0 for a particular year. The note is interest free for the first six years, then increases to 3% per annum.

On July 22, 2019, Fillmore City Redevelopment Agency loaned Fillmore Backcast, LLC \$190,000 to be repayable annually beginning August 15, 2024 and is secured by real property. The annual payments will be \$22,274 per annum for a period of 10 years. If Backcast, LLC meets certain applicable performance obligations, the annual loan payment will be \$0 for a particular year. The note is interest free for the first three (3) years, then increases to 3% per annum.

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2026, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 767,515	\$ -	\$ -	\$ 767,515
Construction in Progress	346,188	276,299	532,842	89,645
 Total Capital Assets Not Being Depreciated	 1,113,703	 276,299	 532,842	 857,160
 Capital Assets Being Depreciated:				
Buildings and Improvements	1,813,783	13,623	-	1,827,406
Improv. Other Than Buildings	7,410,618	532,842	-	7,943,460
Machinery and Equipment	1,769,300	6,000	-	1,775,300
Library Books	412,051	-	-	412,051
Vehicles	283,993	-	-	283,993
Office Furniture and Equipment	83,248	-	-	83,248
Infrastructure	7,909,194	38,821	-	7,948,015
 Total Capital Assets Being Depreciated	 19,682,187	 591,286	 -	 20,273,473
 Less Accumulated Depreciation For:				
Buildings and Improvements	1,386,203	26,469	-	1,412,672
Improv. Other Than Buildings	3,747,176	342,336	-	4,089,512
Machinery and Equipment	1,209,103	90,693	-	1,299,796
Library Books	412,051	-	-	412,051
Vehicles	88,712	11,746	-	100,458
Office Furniture and Equipment	83,248	-	-	83,248
Infrastructure	2,911,006	154,651	-	3,065,657
 Total Accumulated Depreciation	 9,195,828	 625,895	 -	 10,463,394
 Total Capital Assets Being Depreciated (Net)	 10,486,359	 (34,609)	 -	 9,810,079
 Total Governmental Activities Capital Assets	 \$11,600,062	 \$ 241,690	 \$ 532,842	 \$10,667,239

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land and Water Rights	\$ 1,568,798	\$ 322,885	\$ -	\$ 1,891,683
Construction in Progress	-	267,433	-	267,433
	<u>1,713,532</u>	<u>590,318</u>	<u>-</u>	<u>2,159,116</u>
Total Capital Assets Not Being Depreciated				
Capital Assets Being Depreciated:				
Buildings and Improvements	220,842	-	-	220,842
Utility Systems	26,223,367	855,008	-	27,078,375
Machinery and Equipment	572,488	-	-	572,488
Office Furniture and Equipment	70,729	-	-	70,729
	<u>25,147,542</u>	<u>855,008</u>	<u>-</u>	<u>27,942,434</u>
Total Capital Assets Being Depreciated				
Less Accumulated Depreciation For:				
Buildings and Improvements	110,518	8,514	-	119,032
Utility Systems	12,505,993	585,860	-	13,091,853
Machinery and Equipment	439,713	37,982	-	477,695
Office Furniture and Equipment	70,729	-	-	70,729
	<u>13,126,953</u>	<u>632,356</u>	<u>-</u>	<u>13,759,309</u>
Total Accumulated Depreciation				
Total Capital Assets Being Depreciated (Net)	<u>12,020,589</u>	<u>222,652</u>	<u>-</u>	<u>14,183,125</u>
Business-Type Activities Capital Assets, Net	<u>13,734,121</u>	<u>812,970</u>	<u>-</u>	<u>16,342,241</u>
Total Assets - Government Wide	<u>\$25,334,183</u>	<u>\$ 1,054,660</u>	<u>\$ 532,842</u>	<u>\$27,009,480</u>

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	Governmental Activities	Business -Type Activities
General Government	\$ 32,656	\$ -
Public Safety	61,978	-
Highways and Streets	431,359	-
Parks and Recreation	99,902	-
Water	-	301,140
Sewer	-	53,351
Electric	-	277,865
	<u>625,895</u>	<u>632,356</u>
Total Depreciation Expense	<u>\$ 625,895</u>	<u>\$ 632,356</u>

NOTE 5 - BOND RESERVES

	Maximum Required	Balance June 30, 2025	Annual Deposit	Balance June 30, 2026
Governmental Funds:				
Series 2018 Sales Tax Revenue Bond	<u>\$ 22,150</u>	<u>\$ 22,150</u>	<u>\$ -</u>	<u>\$ 22,150</u>
Business-Type Funds:				
Series 2007 Parity Revenue Bond	\$ 149,650	\$ 149,650	\$ -	\$ 149,650
Series 2018 Parity Revenue Bond	137,822	124,038	13,784	137,822
Capital Replacement	359,219	302,804	56,415	359,219
Series 2024 Parity Revenue Bond	58,570	14,154	5,857	20,011
Capital Replacement	<u>223,453</u>	<u>171,688</u>	<u>51,765</u>	<u>223,453</u>
Total	<u>\$ 928,714</u>	<u>\$ 686,515</u>	<u>\$ 127,821</u>	<u>\$ 890,155</u>

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - LONG-TERM DEBT

Governmental Long-Term Debt

Bonds Payable:

The following is a schedule of governmental long-term debt outstanding as of June 30, 2026. These bonds are secured by sales tax revenues.

CIB Sales Tax Revenue Bonds - Series 2018
due in annual principal and interest installments
ranging from \$16,000 to \$21,000 bearing interest
at 2.5%, maturing January 1, 2032. \$ 119,000

The following is a schedule of total long-term debt charges to maturity:

	Direct Placement		
	Bond		Total
	Principal	Interest	
2027	\$ 19,000	\$ 2,975	\$ 21,975
2028	19,000	2,500	21,500
2029	20,000	2,025	22,025
2030	20,000	1,525	21,525
2031	21,000	1,025	22,025
2032	20,000	500	20,500
Total	<u><u>\$ 119,000</u></u>	<u><u>\$ 10,550</u></u>	<u><u>\$ 129,550</u></u>

Business-Type Long-Term Debt

Bonds Payable:

The following is a schedule of long-term debt outstanding as of June 30, 2026. These bonds are secured by the revenues of the water fund.

CIB Parity Water Revenue Bonds - Series 2007
due in annual principal and interest installments
ranging from \$147,100 to \$153,150 bearing interest
at 2.5%, maturing January 1, 2028. \$ 286,000

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Business-Type Long-Term Debt (Continued)

The following is a schedule of total long-term debt charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 140,000	\$ 7,150	\$ 147,150
2028	<u>146,000</u>	<u>3,650</u>	<u>149,650</u>
Total	<u>\$ 286,000</u>	<u>\$ 10,800</u>	<u>\$ 296,800</u>

CIB Parity Water Revenue Bonds - Series 2018
due in annual principal and interest installments
ranging from \$123,100 to \$137,900 bearing interest
at 2.45%, maturing January 1, 2037.

\$ 1,277,829

The following is a schedule of total long-term debt charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 105,000	\$ 32,095	\$ 137,095
2028	108,000	29,523	137,523
2029	110,000	26,877	136,877
2030	113,000	24,182	137,182
2031	116,000	21,413	137,413
2032-2036	624,000	62,695	686,695
2037	<u>101,829</u>	<u>3,283</u>	<u>105,112</u>
Total	<u>\$ 1,277,829</u>	<u>\$ 200,068</u>	<u>\$ 1,477,897</u>

CIB Parity Water Revenue Bonds - Series 2024
due in annual principal and interest installments
ranging from \$57,530 to \$58,570 bearing interest
at 1.00%, maturing August 1, 2054.

\$ 1,413,000

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Business-Type Long-Term Debt (Continued)

The following is a schedule of total long-term debt charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 44,000	\$ 14,130	\$ 58,130
2028	44,000	13,690	58,690
2029	45,000	13,250	58,250
2030	45,000	12,800	58,800
2031	46,000	12,350	248,350
2032-2036	236,000	54,780	303,780
2037-2041	249,000	42,720	302,720
2042-2046	260,000	30,060	304,060
2047-2051	274,000	16,770	186,770
2052-2053	170,000	3,410	173,410
Total	<u>\$ 1,413,000</u>	<u>\$ 213,960</u>	<u>\$ 1,752,960</u>

The following is a schedule of total governmental and business type long-term debt charges to maturity:

	<u>Direct Placement</u>		
	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 308,000	\$ 56,350	\$ 364,350
2028	317,000	49,363	366,363
2029	175,000	42,152	217,152
2030	178,000	38,507	216,507
2031	183,000	34,788	217,788
2032-2036	880,000	117,975	997,975
2037-2041	350,829	46,003	396,832
2042-2046	260,000	30,060	290,060
2047-2051	274,000	16,770	290,770
2052-2053	170,000	3,410	173,410
Total	<u>\$ 3,095,829</u>	<u>\$ 435,378</u>	<u>\$ 3,531,207</u>

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in long-term debt for the year ended June 30, 2026:

	Balance June 30, 2025	Additions	Retirements	Balance June 30, 2026	Due Within One Year
Governmental:					
Bonds:					
2018 Sales Tax Revenue Bonds	\$ 137,000	\$ -	\$ 18,000	\$ 119,000	\$ 19,000
Net Pension Liability	<u>110,372</u>	<u>-</u>	<u>91,794</u>	<u>18,578</u>	<u>-</u>
Total	<u>247,372</u>	<u>-</u>	<u>109,794</u>	<u>137,578</u>	<u>19,000</u>
Business-Type:					
Bonds:					
2007 Parity Water Revenue Bonds	423,000	-	137,000	286,000	140,000
2018 Parity Water Revenue Bonds	1,380,829	-	103,000	1,277,829	105,000
2024 Parity Water Revenue Bonds	<u>1,457,000</u>	<u>-</u>	<u>44,000</u>	<u>1,413,000</u>	<u>44,000</u>
Total Bonds	3,260,829	-	284,000	2,976,829	289,000
Net Pension Liability	<u>34,854</u>	<u>-</u>	<u>28,987</u>	<u>5,867</u>	<u>-</u>
Total	<u>3,295,683</u>	<u>-</u>	<u>312,987</u>	<u>2,982,696</u>	<u>289,000</u>
Total Long-Term Debt:	<u><u>\$ 3,543,055</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 422,781</u></u>	<u><u>\$ 3,120,274</u></u>	<u><u>\$ 308,000</u></u>

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Compensated Absences:

Compensated absences represents accrued vacation and sick leave at June 30, 2026, of \$59,062. The following is a statement of changed in compensated absences.

	Beginning Balance	Net Change		Ending Balance
		Additions	Deletions	
Governmental Funds	\$ 34,944	\$ 10,252	\$ -	\$ 45,196
Business-Type Funds	6,784	7,082	-	13,866
Total Compensated Absences	<u>\$ 41,728</u>	<u>\$ 17,334</u>	<u>\$ -</u>	<u>\$ 59,062</u>

NOTE 7 - CLASS C ROAD FUND

The following is a statement of revenues and expenditures in Class C Road Fund:

Balance - Beginning of Year	\$ 782,050
Revenue:	
State Allotment	\$ 339,107
Transportation Tax	239,930
Interest Earned	<u>23,389</u>
Total Revenue	602,426
Expenditures:	
Construction and Maintenance	<u>(451,476)</u>
Balance - End of Year	<u>\$ 933,000</u>

NOTE 8 - REDEVELOPMENT AGENCY

The State of Utah requires the following information of the Redevelopment Agency to be reported in the financial statements:

Tax Increment Collected	\$ 22,274
Amount Expended	\$ -

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 9 - ELECTRICAL POWER PURCHASE AGREEMENTS

Hunter II Power Project:

On June 30, 1981, Fillmore City entered into a power purchase contract with Utah Associated Municipal Power Systems (UAMPS). UAMPS is a consortium of 21 municipalities agreeing to purchase electrical power produced at the "Hunter II" power plant. In order to enable UAMPS to make the loan and to issue its bonds to pay the cost of acquiring and constructing the Hunter Project, it was necessary for UAMPS to have substantially similar binding contracts with the participants, to pledge the payments required to be made in accordance with such contracts with respect to the pre-acquisition costs to the payment of the loan and to pledge the other payments required to be made in accordance with such contracts as security for the payment of the bonds.

In the event of any default, the participant shall not be relieved of its liability for payments of the amounts in default, and UAMPS shall have the right to recover from the participant any amount in default. In enforcement of any such right of recovery, UAMPS may bring any suit, action or proceeding in law as may be necessary or appropriate to enforce any covenant, agreement or obligation to make any payment for which provision is made in the Power Sales Contract against the participant and, from and after the effective date of the Agreement to Sell and Ownership Interest, UAMPS may, upon sixty days written notice to the participant, cease and discontinue providing all or any portion of the participant's power entitlement share.

The contract with UAMPS expires on the later of 1) the date the principal, premium, if any, and interest on all of the UAMPS Hunter Project Revenue and Refunding Bonds have been paid; 2) the final shut down of the Hunter Steam Electric Generating Unit No. 2 (Hunter II); or 3) June 1, 2032. The contract entitles Fillmore City, Utah, to approximately 4.9% of the output generated by Hunter II, and as a participant in the project is obligated for 5.11% of the debt service issued to finance the acquisition of the Hunter II Project.

San Juan Power Project:

In July, 1993, Fillmore City entered into a power sales contract with UAMPS which expires on the later of 1) the date of the principal, premium, if any, and interest on all of the UAMPS San Juan Power Project Revenue Bonds have been paid; 2) the date the final payment of all obligations under the Project Agreements; or 3) November 6, 2030. The contract entitles the City to approximately .86% of the output of Unit 4 of the San Juan Generating Station. Fillmore City as a participant in the UAMPS San Juan Project is obligated for 1.12% of the debt service issued to finance the acquisition of the project.

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 9 - ELECTRICAL POWER PURCHASE AGREEMENTS (CONTINUED)

Intermountain Power Project:

Fillmore City has entered into a Power Sales contract (herein after referred to as the "Contract"), which expires in June of 2027, to purchase approximately 5% of the output of the Intermountain Power Project. The City is committed to a power layoff contract with certain Southern California utilities where they will take delivery of all of the City's entitlement should the City not require its entitlement. However, the City has the right to recall up to 100T of its entitlement upon meeting certain notice provisions. As long as any of the Intermountain Power Agency bonds are outstanding, the contract cannot be terminated or amended in a manner, which will impair or adversely affect the rights of any of the bondholders.

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Inter-fund account balances as shown in the fund financial statements consisted of the following:

	<u>Note Receivable Reported In</u>	
Note Payable reported in:	<u>Electric Fund</u>	<u>Total</u>
General Fund	<u>\$ 157,420</u>	<u>\$ 157,420</u>
Total Interfund Balances	<u><u>\$ 157,420</u></u>	<u><u>\$ 157,420</u></u>

On July 7, 2020 the Electric Fund of the City issued a loan in the amount of \$300,000 to the General Fund for the purpose providing funds for ongoing operations. The loan dated July 7, 2020 and maturing July 6, 2030 carries an interest rate of 2.00% and requires yearly payments of \$33,397.96.

The following is a summary of debt service charges for the Note Receivable/Payable:

	<u>Balance</u> <u>June 30, 2025</u>	<u>Principal</u> <u>Paid/Received</u>	<u>Balance</u> <u>June 30, 2026</u>
Note Receivable/Payable	<u><u>\$ 187,076</u></u>	<u><u>\$ 29,656</u></u>	<u><u>\$ 157,420</u></u>

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 11 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

The following is a summary of debt service charges for the Note Receivable/Payable (Continued):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
July 6,			
2026	\$ 30,250	3,148	33,398
2027	30,854	2,544	33,398
2028	31,472	1,926	33,398
2029	32,101	1,297	33,398
2030	<u>32,743</u>	<u>655</u>	<u>33,398</u>
	<u>\$ 157,420</u>	<u>\$ 9,570</u>	<u>\$ 166,990</u>

NOTE 12 - RELATED PARTY TRANSACTIONS

During the year the City paid \$254,108 to a business owned by the mayor for garbage collection. These expenditures were all approved by the city council.

NOTE 13 - ROUNDING CONVENTION

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN

General Information about the Pension Plan

Plan Description:

Eligible plan participants are provided with pensions through the Utah Retirement Systems. Participation in Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans:

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

Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost sharing, public employee retirement system.

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

The Utah retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The System's defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the 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 East 200 South, Salt Lake City, Utah, 84102 or visiting the website:

www.urs.org/general/publications.

Benefits Provided:

URS provides retirement, disability, and death benefits. Retirement benefits are as shown on the following page:

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN (CONTINUED)
Summary of Benefits By System:

<u>System</u>	<u>Final Average Salary</u>	<u>Years of Service Required and/or Age Eligible for Benefit</u>	<u>Benefit Percentage Per Year of Service</u>	<u>COLA**</u>
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%
Tier 2 Public Employees System	Highest 5 years	35 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.5% per year all years	Up to 2.5%

* Actuarial reductions are applied.

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

Contribution Rate Summary:

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the cost 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, 2026, are as follows:

	<u>Employee</u>	<u>Employer</u>	<u>ER 401(k)</u>
Noncontributory System			
15 - Local Government - Tier 1 - DB System	-	15.97%	-
111 - Local Government - Tier 2 - DB Hybrid System	0.81%	14.19%	-
211 - Local Government - Tier 2 - 401(k) Option	-	4.19%	10.00%

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

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN (CONTINUED)

For fiscal year ended June 30, 2026, the employer and employee contributions to the Systems were as follows:

	Employer Contributions	Employee Contributions
Noncontributory System	\$ 34,526	\$ -
Tier 2 Public Employees System	50,124	2,861
Tier 2 DC Public Employees Plan	7,098	-
	<u>91,748</u>	<u>-</u>
Total Contributions	<u>\$ 91,748</u>	<u>\$ 2,861</u>

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

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

At June 30, 2026, we reported a net pension liability of \$24,445 and a net pension asset of \$16,150.

	(Measurement Date): December 31, 2025				
	Net Pension Liability	Net Pension Asset	Proportionate Share - 2025	Proportionate Share - 2024	Change (Decrease)
Noncontributory System	\$ -	\$ 16,150	0.0330040%	0.0359394%	-0.0029354%
Tier 2 Public Employees System	24,445	-	0.0099150%	0.0104810%	-0.0005660%
Total	<u>\$ 24,445</u>	<u>\$ 16,150</u>			

The net pension asset and liability was measured as of December 31, 2025, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2025, 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 Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2026, we recognized pension expense of \$123,515.

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN (CONTINUED)

At June 30, 2026, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 61,342	\$ 122
Changes in assumptions	8,706	-
Net difference between projected and actual earnings on pension plan investments	-	98,308
Changes in proportion and differences between contributions and proportionate share of contributions	4,787	1,371
Contributions subsequent to the measurement date	<u>46,910</u>	<u>-</u>
Total	<u>\$ 121,744</u>	<u>\$ 99,801</u>

\$46,910 reported as deferred outflows of resources to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2025.

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

	<u>Deferred Outflows (Inflows) of Resources</u>
Year Ended December 31,	
2026	\$ 55,302
2027	\$ (36,095)
2028	\$ (31,252)
2029	\$ (28,824)
2030	\$ 3,407
Thereafter	\$ 12,496

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN (CONTINUED)

Actuarial Assumptions:

The total pension liability in the December 31, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2025, valuation were based on the results of an actuarial experience for the period ending December 31, 2022.

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	35.00%	6.68%	2.34%
Debt Securities	20.00%	2.06%	0.41%
Real Assets	18.00%	5.26%	0.95%
Private Equity	12.00%	9.80%	1.18%
Absolute Return	15.00%	3.96%	0.59%
Cash and Cash Equivalents	0.00%	0.49%	0.00%
Totals	100.00%		5.47%
		Inflation	2.50%
		Expected arithmetic nominal return	7.97%

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN (CONTINUED)

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. The discount rate was reduced from 6.95% to 6.85% from the prior measurement date.

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 (asset) 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:

<u>System</u>	<u>1% Decrease or 5.85%</u>	<u>Discount Rate or 6.85%</u>	<u>1% Increase or 7.85%</u>
Noncontributory System	\$ 332,537	\$ (16,150)	\$ (312,561)
Tier 2 Public Employees System	96,140	24,445	(31,499)
	<u>\$ 428,677</u>	<u>\$ 8,295</u>	<u>\$ (344,060)</u>

Pension Plan Fiduciary Net Position:

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

FILLMORE CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN (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 section 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provision is available in the separately issued URS financial report.

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

* 401(k) Plan

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

	<u>2026</u>	<u>2025</u>	<u>2024</u>
401(K) Plan:			
Employer Contributions	\$ 31,658	\$ 31,256	\$ 25,365
Employee Contributions	\$ 12,906	\$ 14,354	\$ 12,988

**REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)**

FILLMORE CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS
For The Fiscal Year Ended June 30, 2026

Budgetary Comparison Schedules:

The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual presented in this section of the report are for the City's General Fund and Perpetual Care Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund and Perpetual Care Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Budgetary Compliance:

For the year ended June 30, 2026, spending in all funds of the Government was within the approved budget.

FILLMORE CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
For The Fiscal Year Ended June 30, 2026

	<u>Budgeted Amounts</u>		<u>Variance With</u> <u>Original Budget</u> <u>Over (Under)</u>	<u>Actual</u> <u>Amounts</u> <u>Budgetary</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Final Budget</u>	<u>Basis</u>	<u>Final Budget</u>
Revenues:					
Taxes:					
General Property Taxes	\$ 170,000	\$ 181,853	\$ 11,853	\$ 174,045	\$ (7,808)
Prior Years Taxes	1,200	1,084	(116)	1,082	(2)
Fee-In-Lieu	14,000	14,215	215	13,960	(255)
General Sales and Use Taxes	894,000	857,000	(37,000)	862,972	5,972
Transit Local	70,000	78,500	8,500	79,512	1,012
Energy Use Taxes	200,000	220,000	20,000	213,813	(6,187)
RAP Tax	75,000	78,400	3,400	80,099	1,699
Telecommunications Use Tax	16,500	15,000	(1,500)	15,000	-
Transient Room Tax	33,000	33,000	-	34,784	1,784
Transportation Tax	225,000	230,000	5,000	239,930	9,930
Total Taxes	1,698,700	1,709,052	10,352	1,715,197	6,145
Licenses and Permits:					
Business Licenses	15,000	15,000	-	13,415	(1,585)
Building Permits	70,000	101,000	31,000	110,667	9,667
Cemetery Permits	1,000	600	(400)	560	(40)
Animal Licenses	1,700	1,700	-	1,899	199
Total Licenses and Permits	87,700	118,300	30,600	126,541	8,241
Intergovernmental Revenue:					
State Grants	6,800	193,022	186,222	193,022	-
Fire Protection	64,400	130,533	66,133	130,533	-
State Annual Lease	200,000	200,000	-	-	(200,000)
Class C Road	240,000	292,488	52,488	339,107	46,619
State Liquor Allotment	7,000	7,810	810	7,809	(1)
Total Intergovernmental Revenue	518,200	823,853	305,653	670,471	(153,382)
Fines and Forfeitures:					
Court	83,200	91,600	8,400	91,344	(256)
Charges for Services:					
Crossing Guard	5,800	4,641	(1,159)	4,641	-
Waste Collection Charges	706,000	716,200	10,200	721,428	5,228
Cemetery	13,000	13,000	-	11,525	(1,475)
Total Charges for Services	\$ 724,800	\$ 733,841	\$ 9,041	\$ 737,594	\$ 3,753

FILLMORE CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
For The Fiscal Year Ended June 30, 2026

	<u>Budgeted Amounts</u>		<u>Variance With</u> <u>Original Budget</u> <u>Over (Under)</u>	<u>Actual</u> <u>Amounts</u> <u>Budgetary</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Final Budget</u>	<u>Basis</u>	<u>Final Budget</u>
Revenues (Continued):					
Miscellaneous Revenue:					
Sale of Airport Fuel	\$ 125,000	\$ 80,000	\$ (45,000)	\$ 77,381	\$ (2,619)
Rents and Concessions	228,000	227,700	(300)	227,418	(282)
Interest	275,000	413,000	138,000	416,127	3,127
Sale of Fixed Assets	3,600	16,475	12,875	16,475	-
Other Unclassified	64,300	90,953	26,653	90,340	(613)
Grants/Donations	-	-	-	100,000	100,000
Use of Surplus	776,940	503,976	(272,964)	-	(503,976)
Total Miscellaneous Revenue	1,472,840	1,332,104	(140,736)	927,741	(404,363)
Total Revenues	4,585,440	4,808,750	223,310	4,268,888	(539,862)
Expenditures:					
General Government:					
Administrative	410,925	436,889	25,964	450,752	(13,863)
Courts	81,350	95,600	14,250	89,572	6,028
Economic Development	30,750	41,202	10,452	40,710	492
Recorder	114,215	117,769	3,554	112,079	5,690
Treasurer	67,340	75,801	8,461	71,043	4,758
Building	90,700	92,900	2,200	45,677	47,223
Planning and Zoning	95,730	167,623	71,893	148,647	18,976
Attorney	138,000	173,000	35,000	141,182	31,818
Total General Government	1,029,010	1,200,784	171,774	1,099,662	101,122
Public Safety:					
Law Enforcement	321,650	320,250	(1,400)	313,776	6,474
Fire Protection	87,905	105,002	17,097	109,209	(4,207)
Building Inspection	53,550	33,700	(19,850)	33,006	694
Total Public Safety	463,105	458,952	(4,153)	455,991	2,961
Public Health:					
Waste Collection	\$ 718,450	\$ 730,275	\$ 11,825	\$ 725,260	\$ 5,015

FILLMORE CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
For The Fiscal Year Ended June 30, 2026

	Budgeted Amounts		Variance With Original Budget Over (Under) Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final			
Expenditures (Continued):					
Highways and Public Improvements:					
Class C Roads	\$ 745,000	\$ 760,000	\$ 15,000	\$ 451,476	\$ 308,524
Streets and Highways	118,600	126,237	7,637	121,027	5,210
Debt Service-Principal Storm Drain	18,000	18,000	-	18,000	-
Debt Service-Interest Storm Drain	4,000	3,425	(575)	3,425	-
Sidewalks	99,700	72,400	(27,300)	32,733	39,667
Snow Removal	28,400	8,789	(19,611)	7,479	1,310
Shop	50,650	46,800	(3,850)	41,653	5,147
Landfill	-	35,967	35,967	33,858	2,109
Airport	166,650	326,343	159,693	325,777	566
Total Highways and Public Improvements	1,231,000	1,397,961	166,961	1,035,428	362,533
Culture and Recreation:					
Parks	260,150	254,734	(5,416)	247,022	7,712
Emergency Preparedness	11,175	8,029	(3,146)	8,120	(91)
Library	735,800	619,818	(115,982)	371,368	248,450
Cemetery	102,750	104,197	1,447	96,322	7,875
Total Culture and Recreation	1,109,875	986,778	(123,097)	722,832	263,946
Total Expenditures	4,551,440	4,774,750	223,310	4,039,173	735,577
Excess Revenues Over (Under) Expenditures	34,000	34,000	-	229,715	195,715
Other Sources and (Uses):					
Transfer In (Out)	-	-	-	(50,000)	(50,000)
Interest on Interfund Loan Payment	(4,000)	(4,000)	-	(3,742)	258
Interfund Loan Payment	(30,000)	(30,000)	-	(29,656)	344
Total Other Sources (Uses)	(34,000)	(34,000)	-	(83,398)	(49,398)
Net Change in Fund Balance	\$ -	\$ -	\$ -	146,317	\$ 146,317
Fund Balance - Beginning				1,951,935	
Fund Balance - Ending				\$ 2,098,252	

FILLMORE CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
PERPETUAL CARE FUND
For The Fiscal Year Ended June 30, 2026

	<u>Budgeted Amounts</u>		Variance With Original Budget Over (Under) <u>Final Budget</u>	Actual Amounts Budgetary Basis	Variance With Final Budget
	<u>Original</u>	<u>Final</u>			
Revenues:					
Charges for Services	\$ 12,000	\$ 17,000	\$ 5,000	\$ 16,780	\$ (220)
Interest	<u>25,000</u>	<u>30,000</u>	<u>5,000</u>	<u>29,302</u>	<u>(698)</u>
Total Revenues	<u>37,000</u>	<u>47,000</u>	<u>10,000</u>	<u>46,082</u>	<u>(918)</u>
Expenditures:					
Cemetery	<u>37,000</u>	<u>47,000</u>	<u>10,000</u>	<u>-</u>	<u>47,000</u>
Total Expenditures	<u>37,000</u>	<u>47,000</u>	<u>10,000</u>	<u>-</u>	<u>47,000</u>
Excess Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	46,082	<u>\$ 46,082</u>
Fund Balance - Beginning				<u>687,013</u>	
Fund Balance - Ending				<u>\$ 733,095</u>	

**FILLMORE CITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO BUDGETARY COMPARISON SCHEDULE
For The Fiscal Year Ended June 30, 2026**

Note A - Differences - Original Budget to Final Budget

BUDGETARY REVENUES:

	<u>General Fund Over (Under)</u>
GENERAL FUND:	
State grant revenues decreased due to fewer grants received during the current year.	\$ (186,222)
Fire protection revenues decreased due to fewer fire incidents compared to the prior year.	\$ (66,133)
Interest revenue decreased due to changes in interest rates.	\$ (138,000)
Class C Road revenues decreased because the prior year included a surplus transfer from the General Fund.	\$ (52,488)

Note B - Differences - Final Budget to Actual Expenditures

BUDGETARY EXPENDITURES:

	<u>General Fund Over (Under)</u>
GENERAL FUND:	
Building expenditures increased due to economic factors and higher associated costs.	\$ 47,223
Library expenditures increased due to costs associated with a new building addition.	\$ 248,450
A transfer variance resulted from a General Fund transfer to the Capital Projects Fund to cover a fund balance deficit.	\$ (50,000)
Cemetery Fund had no expenditures that occurred in the current year.	\$ 47,000
Class C Road expenditures increased due to scheduled chip seal projects, which are completed approximately every five years.	\$ 308,524

FILLMORE CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
Measurement Date of December 31, 2025
June 30, 2026
Last 10 Fiscal Years*

	Noncontributory Retirement System	Tier 2 Public Employees Retirement System
Proportion of the Net Pension Liability (Asset):		
2016	0.0385824%	0.0140693%
2017	0.0400275%	0.0091443%
2018	0.0389938%	0.0109975%
2019	0.0395974%	0.0093571%
2020	0.0396213%	0.0075260%
2021	0.0405309%	0.0078616%
2022	0.0357592%	0.0097192%
2023	0.0337881%	0.0107315%
2024	0.0359394%	0.0104810%
2025	0.0330040%	0.0099150%
Proportionate Share of the Net Pension Liability (Asset):		
2016	\$ 247,746	\$ 1,569
2017	\$ 175,372	\$ 806
2018	\$ 287,140	\$ 4,710
2019	\$ 149,237	\$ 2,104
2020	\$ 20,323	\$ 1,082
2021	\$ (232,125)	\$ (3,327)
2022	\$ 61,247	\$ 10,583
2023	\$ 78,374	\$ 20,888
2024	\$ 113,968	\$ 31,259
2025	\$ (16,150)	\$ 24,445
Covered Employee Payroll:		
2016	\$ 326,918	\$ 115,380
2017	\$ 318,016	\$ 89,432
2018	\$ 300,148	\$ 128,688
2019	\$ 313,758	\$ 130,054
2020	\$ 323,325	\$ 120,454
2021	\$ 330,417	\$ 145,906
2022	\$ 280,259	\$ 211,754
2023	\$ 259,860	\$ 277,506
2024	\$ 277,770	\$ 310,659
2025	\$ 250,301	\$ 320,156
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll:		
2016	75.78%	1.36%
2017	55.15%	0.90%
2018	95.67%	3.66%
2019	47.56%	1.62%
2020	6.29%	0.90%
2021	-70.25%	-2.28%
2022	21.85%	5.00%
2023	30.16%	7.53%
2024	41.03%	10.06%
2025	-6.45%	7.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability:		
2016	87.30%	95.10%
2017	91.90%	97.40%
2018	87.00%	90.80%
2019	93.70%	96.50%
2020	99.20%	98.30%
2021	108.70%	103.80%
2022	97.50%	92.30%
2023	96.90%	89.58%
2024	96.02%	87.44%
2025	100.58%	91.60%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI.

FILLMORE CITY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
June 30, 2026

	As of Fiscal Year Ended June 30,	Actuarial Determined Contributions	Contributions in Relation to The Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions As a Percentage of Covered Employee Payroll
Noncontributory System	2017	\$ 60,790	\$ 60,790	\$ -	\$ 329,127	18.47%
	2018	\$ 55,760	\$ 55,760	\$ -	\$ 301,896	18.47%
	2019	\$ 56,468	\$ 56,468	\$ -	\$ 305,726	18.47%
	2020	\$ 58,962	\$ 58,962	\$ -	\$ 319,232	18.47%
	2021	\$ 59,887	\$ 59,887	\$ -	\$ 324,238	18.47%
	2022	\$ 59,118	\$ 59,118	\$ -	\$ 320,075	18.47%
	2023	\$ 46,798	\$ 46,798	\$ -	\$ 260,142	17.99%
	2024	\$ 47,924	\$ 47,924	\$ -	\$ 266,691	17.97%
	2025	\$ 47,843	\$ 47,843	\$ -	\$ 281,851	16.97%
	2026	\$ 34,526	\$ 34,526	\$ -	\$ 216,108	15.98%
Tier 2 Public Employees System	2017	\$ 14,210	\$ 14,210	\$ -	\$ 95,308	14.91%
	2018	\$ 17,018	\$ 17,018	\$ -	\$ 115,935	14.68%
	2019	\$ 19,362	\$ 19,362	\$ -	\$ 124,880	15.50%
	2020	\$ 20,968	\$ 20,968	\$ -	\$ 133,935	15.66%
	2021	\$ 19,298	\$ 19,298	\$ -	\$ 122,179	15.79%
	2022	\$ 27,103	\$ 27,103	\$ -	\$ 170,117	15.93%
	2023	\$ 36,438	\$ 36,438	\$ -	\$ 227,565	16.01%
	2024	\$ 51,884	\$ 51,884	\$ -	\$ 324,074	16.01%
	2025	\$ 46,245	\$ 46,245	\$ -	\$ 304,448	15.19%
	2026	\$ 50,124	\$ 50,124	\$ -	\$ 353,232	14.19%
Tier 2 DC Public Employees System	2017	\$ 2,709	\$ 2,709	\$ -	\$ 39,953	6.78%
	2018	\$ 4,270	\$ 4,270	\$ -	\$ 63,830	6.69%
	2019	\$ 4,592	\$ 4,592	\$ -	\$ 68,640	6.69%
	2020	\$ 5,007	\$ 5,007	\$ -	\$ 74,837	6.69%
	2021	\$ 5,332	\$ 5,332	\$ -	\$ 79,702	6.69%
	2022	\$ 6,027	\$ 6,027	\$ -	\$ 90,084	6.69%
	2023	\$ 6,238	\$ 6,238	\$ -	\$ 100,458	6.21%
	2024	\$ 6,908	\$ 6,908	\$ -	\$ 111,598	6.19%
	2025	\$ 8,141	\$ 8,141	\$ -	\$ 155,707	5.23%
	2026	\$ 7,098	\$ 7,098	\$ -	\$ 169,408	4.19%

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

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

FILLMORE CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
UTAH RETIREMENT SYSTEMS
For The Fiscal Year Ended June 30, 2026

Changes in Assumptions:

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

COMBINING FINANCIAL STATEMENTS

**FILLMORE CITY
COMBINING NONMAJOR FUNDS
For The Fiscal Year Ended June 30, 2026**

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Redevelopment Agency Fund:

This fund accounts for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

Capital Improvement Fund:

These funds account for revenue sources that are restricted to expenditures for specific capital improvement projects.

**FILLMORE CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2026**

	Redevelopment Agency Fund	Capital Improvements	Total Nonmajor Government Funds
ASSETS			
Cash and Investments	\$ 800	\$ 33,274	\$ 34,074
Restricted Cash and Investments	<u>166,551</u>	<u>-</u>	<u>166,551</u>
TOTAL ASSETS	<u><u>\$ 167,351</u></u>	<u><u>\$ 33,274</u></u>	<u><u>\$ 200,625</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	<u>\$ 800</u>	<u>\$ 5,156</u>	<u>\$ 5,956</u>
Fund Balances:			
Restricted Fund Balance, Reported in:			
Redevelopment Agency Fund	166,551	-	166,551
Assigned for:			
Capital Projects	<u>-</u>	<u>28,118</u>	<u>28,118</u>
Total Fund Balance	<u>166,551</u>	<u>28,118</u>	<u>194,669</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 167,351</u></u>	<u><u>\$ 33,274</u></u>	<u><u>\$ 200,625</u></u>

FILLMORE CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2026

	Redevelopment Agency Fund	Capital Improvements	Total Nonmajor Government Funds
Revenues:			
Other Revenue	\$ 22,274	\$ 67,280	\$ 89,554
Interest	<u>371</u>	<u>-</u>	<u>371</u>
Total Revenues	<u>22,645</u>	<u>67,280</u>	<u>89,925</u>
Expenditures:			
General Government	<u>-</u>	<u>89,645</u>	<u>89,645</u>
Total Expenditures	<u>-</u>	<u>89,645</u>	<u>89,645</u>
Excess Revenues Over (Under) Expenditures	22,645	(22,365)	280
Other Financing Sources & (Uses):			
Transfers In (Out)	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Net Change in Fund Balance	22,645	27,635	50,280
Fund Balances - Beginning	<u>143,906</u>	<u>483</u>	<u>144,389</u>
Fund Balances - Ending	<u><u>\$ 166,551</u></u>	<u><u>\$ 28,118</u></u>	<u><u>\$ 194,669</u></u>

COMPLIANCE SECTION

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

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

Honorable Mayor and City Council
Fillmore City
Fillmore, Utah 84631

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-type activities, the business-type activities, each major fund and the aggregate remaining fund information of Fillmore City, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Fillmore City's financial statements, and have issued our report thereon dated October 9, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fillmore City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fillmore City's internal control. Accordingly, we do not express an opinion on the effectiveness of Fillmore 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. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations an item 6.25.1 and 6.26.1 to be significant deficiencies in internal control over financial reporting.

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 may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Fillmore City in the accompanying Independent Auditor's Report on Compliance and Report on Internal Control over Compliance as required by the State Compliance Audit Guide.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing or 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.

Kimball & Roberts, PC

Certified Public Accountants

October 9, 2026
Richfield, Utah

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

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

To the Honorable Mayor,
City Council and
Kevin Orton
Fillmore City
Fillmore, Utah 84631

Report on Compliance with State Requirements

Opinion on Each State Compliance Requirement

We have audited Fillmore City's compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2026.

State compliance requirements were tested for the year ended June 30, 2026, in the following areas:

Budgetary Compliance	Fraud Risk Assessment
Fund Balance	Government Fees
Cash Management	Crime Insurance for Public Treasurers
Impact Fees	Open and Public Meetings Act
Utah Retirement Systems	Internal Control Systems
Restricted Taxes and Related Revenues	

In our opinion, Fillmore City complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2026.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

To the Honorable Mayor,
City Council and Kevin Orton
Fillmore City
Page -3-

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with the Guide, and which are described below. Our opinion on compliance for each state compliance requirement identified above is not modified with respect to these matters.

Finding: State Compliance – Untimely Posting of Meeting Minutes

Criteria:

Utah Code Annotated (UCA) 52-4-203(4) requires that approved written minutes of open public meetings be made available to the public within a reasonable time, not to exceed three business days after approval. Public entities must also post these minutes to the Utah Public Notice Website to ensure public access and transparency.

Condition:

During our review of Fillmore City's compliance with open meeting requirements, we noted that approved meeting minutes for the month of March 2026 were not posted to the Utah Public Notice Website within the required three business days following approval.

Cause:

The delay appears to be the result of administrative oversight and insufficient follow-up after meeting minute approval.

Effect:

Failure to timely post approved meeting minutes reduces transparency, may limit public access to official records, and results in noncompliance with Utah open meeting laws.

Auditor's Recommendation:

We recommend that Fillmore City implement procedures to ensure that approved meeting minutes are posted to the Utah Public Notice Website within three business days of approval, as required by UCA 52-4-203(4). Assigning a designated staff member to monitor posting deadlines and performing periodic compliance checks would help prevent future delays.

Fillmore City's Response:

We have designated other staff members to post the minutes in the case where the recorder is out on vacation or other leave.

Finding: State Compliance – Fraud Risk Assessment Not Completed Within the Fiscal Year

Criteria:

The Utah State Auditor's Fraud Risk Assessment requirements require that applicable governmental entities complete the Assessment annually. The assessment is intended to assist management and those charged with governance in evaluating fraud-related risks and the controls established to mitigate those risks.

To the Honorable Mayor,
City Council and Kevin Orton
Fillmore City
Page -4-

Condition:

During our review of Fillmore City's compliance with the Utah State Auditor's Fraud Risk Assessment requirements, we noted that the City's Fraud Risk Assessment was not completed within the applicable fiscal year. As a result, the assessment did not provide timely evaluation and documentation of the City's fraud prevention controls for the fiscal year under audit.

Cause:

The City did not have procedures in place to ensure that the Fraud Risk Assessment was completed within the applicable fiscal year.

Effect:

Because the Fraud Risk Assessment was not completed within the fiscal year, the City did not timely document its evaluation of fraud risks and related internal controls for the period under audit. This reduces the effectiveness of the assessment as an annual monitoring and governance tool and resulted in noncompliance with the applicable State compliance requirement.

Auditor's Recommendation:

We recommend that the City establish procedures to ensure that the Fraud Risk Assessment is completed annually within each fiscal year and appropriately documented. The City should incorporate completion of the assessment into its annual compliance calendar and provide the completed assessment to the governing body as appropriate to ensure timely oversight.

Fillmore City's Response:

The City was unaware that the Fraud Assessment report needed to be completed within the applicable fiscal year. Now that the City has been informed of this, it will be completed on time going forward.

Report on Internal Control Over Compliance

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

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

To the Honorable Mayor,
City Council and Kevin Orton
Fillmore City
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Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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

Kimball & Roberts, PC

Certified Public Accountants

October 9, 2026
Richfield, Utah

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

FINDINGS AND RECOMMENDATIONS 6.25.1 and 6.26.1

Honorable Mayor and City Council
Fillmore City
Fillmore, Utah 84631

During our audit of the financial statements of Fillmore City for the fiscal year ended June 30, 2026, we determined that the Finding and Recommendation 6.25.1 and 6.26.1 was not resolved. This item is discussed below for your consideration.

Significant Deficiency Findings and Recommendations:

6.25.1 Expenditure Recorded in Incorrect Period (Cutoff Assertion)

Criteria:

Generally Accepted Accounting Principles (GAAP) require expenditures/expenses and related liabilities to be recognized in the appropriate reporting period based on the applicable basis of accounting. The City should maintain adequate year-end cutoff procedures to identify goods and services received or obligations incurred before fiscal year-end and ensure that applicable accounts payable balances are complete and properly recorded.

Condition:

During accounts payable cutoff testing, we identified an expenditure totaling \$35,813 that related to goods or services received prior to fiscal year-end but was not recorded as an accounts payable liability in the appropriate fiscal year. The amount exceeded Fillmore City's individually significant item (ISI) threshold of \$18,200 and was therefore considered significant for audit purposes.

Cause:

Year-end accounts payable cutoff procedures did not identify the obligation before the accounting records were closed. The City's procedures for reviewing subsequent invoices and disbursements were not sufficient to ensure that all material liabilities attributable to the fiscal year were accrued.

Effect:

Accounts payable and the related expenditure/expense were understated by \$32,813 prior to audit adjustment. The amount exceeded the City's \$18,200 ISI threshold and represented approximately 74% of General Fund planning materiality of \$48,420. Failure to identify material year-end liabilities increases the risk that expenditures/expenses, liabilities, and applicable fund balance or net position may be materially misstated.

Auditor's Recommendation:

We recommend that the City strengthen its year-end accounts payable cutoff procedures by reviewing invoices, subsequent disbursements, purchase orders, contracts, and other supporting documentation for a reasonable period after fiscal year-end. Management should determine whether goods or services were received before year-end and record material obligations in the appropriate reporting period. Particular attention should be given to individually significant transactions and unusual or nonrecurring expenditures occurring near fiscal year-end.

Fillmore City's Response:

Adequate training and oversight have been provided to ensure that this will not occur again in the future.

6.26.1 Capital Asset, Inventory, and Investment Account Reclassifications

Criteria:

The City should maintain accounting records that properly distinguish between current-period expenditures and amounts that meet the City's capitalization criteria. Capital assets should be recorded in the appropriate asset classifications and reflected in the City's capital asset records. Inventory balances should agree to supporting physical counts and records at fiscal year-end. Investments subject to fair value measurement should be reported at the appropriate year-end value in accordance with applicable accounting standards.

Condition:

During our audit procedures, we identified several year-end classification and valuation adjustments necessary to properly present Fillmore City's accounts in accordance with the applicable financial reporting framework. The adjustments primarily related to expenditures that represented capital asset acquisitions or improvements but had initially been recorded as current expenditures, as well as adjustments to aviation fuel inventory and the fair value of investments.

The following audit adjustments were identified:

- Sidewalk improvements – RAP Tax: \$11,970 was reclassified from expenditures to capital assets.
- Sidewalk improvements – Highway: \$26,851 was reclassified from expenditures to capital assets.
- Belly dump trailer: \$6,000 was reclassified from expenditures to capital assets.
- Fencing improvements: \$13,623 was reclassified from building and grounds expenditures to capital assets.
- Water well motors: \$52,942 was reclassified from capital outlay/improvements to the appropriate capital asset account.
- Aviation fuel inventory: A \$4,508 adjustment was required to reconcile aviation fuel inventory to the physical inventory count at year-end.
- Investment valuation: A \$92,258 decrease in fair value was recorded to adjust the City's investment balance to fair value at year-end.

These adjustments were reflected through the proposed audit journal entries and accepted by management.

Cause:

Certain transactions were initially recorded based on the expenditure account used when the purchase was processed and were not subsequently identified for capitalization or reclassification before year-end. Additionally, year-end procedures did not identify all adjustments necessary to reconcile aviation fuel inventory or recognize the change in fair value of investments before preparation of the financial statements.

Effect:

Prior to the proposed audit adjustments, certain capital asset accounts, expenditures, inventory, and investment-related accounts were not properly classified or stated. Without adjustment, these items could result in misstatement of the City's assets, expenditures/expenses, investment activity, and related financial statement balances.

Auditor's Recommendation:

We recommend that the City strengthen its year-end closing procedures by performing a formal review of expenditure accounts for purchases that meet the City's capitalization policy, particularly significant purchases involving infrastructure, equipment, improvements, and utility assets. Capital asset additions should be reconciled to the general ledger and supporting capital asset schedules before year-end closing. The City should also reconcile material inventory accounts to physical counts and review investment statements for required year-end fair value adjustments before preparation of the financial statements.

Fillmore City's Response:

The City will perform a formal review of expenditure accounts prior to closing of the fiscal year.

This report is intended solely for the information and use of Management, City Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Kimball & Roberts, PC
Certified Public Accountants

October 9, 2026
Richfield, Utah