

# CITY OF ERDA TOOELE COUNTY, UTAH



## **BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

*For the Year Ended June 30, 2025*



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**CITY OF ERDA  
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YEAR ENDED JUNE 30, 2025**

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## INDEPENDENT AUDITOR'S REPORT

City Council Members  
City of Erda  
Erda, Utah

### Report on the Audit of the Financial Statements

#### **Opinions**

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

#### **Emphasis of Matter**

During 2025, the City chose to early adopt new accounting guidance in Governmental Accounting Standards Board Statement No. 103 *Financial Reporting Model Improvements* as noted in the presentation of certain statements. Our opinion is not modified in respect to this matter.

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

#### **Responsibilities of Management for the Financial Statements**

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

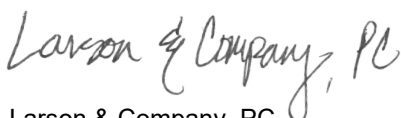
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2025, on our consideration of the City of Erda'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 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 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 the City of Erda's internal control over financial reporting and compliance.



Larson & Company, PC  
Spanish Fork, Utah

October 24, 2025

# **City of Erda**

## **Management's Discussion and Analysis**

For the Year Ended June 30, 2025

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This Management Discussion and Analysis (MD&A) of the City of Erda's financial performance is designed to assist readers in understanding the City's basic financial statements the relationship of different types of statements, and the significant differences in the information they provide. The MD&A will identify changes in the City's ability to address the next and subsequent years financial needs based on currently known facts, and is best understood if read in conjunction with the City of Erda's basic financial statements.

### **Financial highlights as of the close of FY 2025**

During the year 2025 the total net position of the City increased by \$534,527 to a total of \$81,414,568. The governmental net position increased by \$534,527 to a total of \$81,414,568.

The total net position of the City consists of \$77,512,159 in net investment in capital assets, \$0 in restricted net position, and \$3,902,409 in unrestricted net position.

### **Reporting the City as a whole**

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

### **Government-Wide Financial Statements**

The Government-Wide Financial Statements are designed so that all governmental and business-type activities are reported in columns, which add to a total for the primary government. The Statement of Net Position provides bottom line results of the City's activities as a whole and presents a longer-term view of the City's finances. The Statement of Net Position and the Statement of Activities report information about the City of Erda's financial position and activities in the following categories.

Governmental activities – The governmental activities of the City include general government (administration and city council), public safety, and streets and public improvements.

Refer to the table of contents for the location of the Government-Wide Financial Statements.

### **Fund Financial Statements**

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide detailed information that focus on the most significant funds rather than the City as a whole. Major funds are separately reported to control and manage money and to show that legal responsibilities are met for certain taxes, grants, and other designated funds. The City of Erda currently uses only governmental funds as described on the following page.

# **City of Erda**

## **Management's Discussion and Analysis**

For the Year Ended June 30, 2025

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

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

The City maintains two governmental funds (as determined by generally accepted accounting principles) the General Fund and Capital Projects Fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Refer to the table of contents for the location of the fund financial statements and notes to the financial statements.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Erda.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Erda, assets exceeded liabilities by \$81,414,568 at the close of the most recent fiscal year.

The schedules on the following page present summarized information from the Statement of Net Position and the Statement of activities.



**City of Erda**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2025

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**City of Erda's Net Position**

	Governmental Activities		Total	
	2025	2024	2025	2024
Current and other assets	\$ 4,372,637	\$ 2,910,967	\$ 4,372,637	\$ 2,910,967
Capital assets	77,512,159	78,418,538	77,512,159	78,418,538
Total assets	<u>81,884,796</u>	<u>81,329,505</u>	<u>81,884,796</u>	<u>81,329,505</u>
Other liabilities	77,240	68,911	77,240	68,911
Deferred Inflows	392,988	380,953	392,988	380,953
Total liabilities	<u>470,228</u>	<u>449,864</u>	<u>470,228</u>	<u>449,864</u>
Net Position:				
Net Investment in Capital Assets	77,512,159	78,418,938	77,512,159	78,418,938.00
Restricted	-	322,172	-	322,172
Unrestricted	3,902,409	2,138,931	3,902,409	2,138,931
Total Net Position	<u>\$ 81,414,568</u>	<u>\$ 80,880,041</u>	<u>\$81,414,568</u>	<u>\$ 80,880,041</u>

A portion of the City of Erda's net position typically represents resources that are subject to external restrictions on how they may be used. The City currently has no restricted net position.

At the end of the year, the City of Erda is able to report positive balances in all categories of net position.

**City of Erda's Changes in Net Position**

	Governmental Activities	
	2025	2024
Revenues:		
Program revenues:		
Charges for services	\$ 259,403	\$ 121,050
Capital grants and contribs	469,394	504,440
General revenues:		
Property taxes	446,023	405,848
Sales taxes	899,751	795,808
Other taxes	296,327	240,602
State liquor tax	2,730	2,013
Unrestricted investment earnings	138,380	94,241
Contributions from other governments	-	79,306,858
Other	-	7,842
Total revenues	<u>2,512,008</u>	<u>81,478,702</u>
Expenses:		
Administration	77,714	66,920
Streets and public improvements	1,373,975	1,392,359
Public safety	258,226	356,318
City council	267,566	214,254
Total expenses	<u>1,977,481</u>	<u>2,029,851</u>
Increase in net position before transfers	<u>534,527</u>	<u>79,448,851</u>
Increase (decrease) in Net Position	534,527	79,448,851
Net Position - Beginning	80,880,041	1,431,190
Net Position - Ending	<u>\$ 81,414,568</u>	<u>\$ 80,880,041</u>

## Financial Analysis of the Government's Funds

### Governmental funds

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

At the end of the year, the City of Erda's governmental funds reported combined ending fund balance of \$3,902,409, an increase of \$1,441,306 in comparison with the prior year. Approximately 15 percent of this amount (\$602,409) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed or assigned.

The general fund is the chief operating fund of the City of Erda. All activities which are not required to be accounted for either by state or local ordinance or by a desire to maintain a matching of revenues and expenditures are accounted, for in this fund. At the end of the current year, unreserved fund balance of the general fund was \$602,409. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 24 percent of total general fund revenues.

### Capital Asset and Debt Administration

#### Capital assets

City of Erda's investment in capital assets for its governmental activities as of June 30, 2025, amounts to \$77,212,159 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, and machinery and equipment. The total increase in the City of Erda's investment in capital assets for the current year was \$0 and depreciation expense was \$906,779.

	Governmental		Total	
	2025	2024	2025	2024
Land	\$ 43,130,000	\$ 43,130,000	\$ 43,130,000	\$ 43,130,000
Infrastructure	34,368,014	35,272,436	34,368,014	35,272,436
Machinery and equipment	14,145	16,502	14,145	16,502
Total	<u>\$ 77,512,159</u>	<u>\$ 78,418,938</u>	<u>\$ 77,512,159</u>	<u>\$ 78,418,938</u>

Additional information on City of Erda's capital assets can be found in the notes to the financial statements.

#### Long-term debt

At the end of the current year, City of Erda has no long-term debt outstanding.

#### Requests for Information

This financial report is designed to provide a general overview of the City of Erda's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Erda, 2163 W Erda Way, Erda, Utah 84074.

## **Basic Financial Statements**

The basic financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

- Government-wide financial statements
- Fund financial statements
  - o Governmental funds

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**City of Erda**  
**Government-wide Statement of Net Position**  
As of June 30, 2025

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	<b>Primary Government</b>	
	<b>Governmental</b>	
	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,694,710	\$ 3,694,710
Receivables - tax	604,849	604,849
Restricted receivables - class C roads	70,635	70,635
Prepays	2,443	2,443
Capital assets not being depreciated	43,130,000	43,130,000
Capital assets, net of accumulated depreciation	34,382,159	34,382,159
Total assets	<b>81,884,796</b>	<b>81,884,796</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	77,240	77,240
Total liabilities	<b>77,240</b>	<b>77,240</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - property taxes	392,988	392,988
Total Deferred Inflows of Resources	<b>392,988</b>	<b>392,988</b>
<b>NET POSITION</b>		
Net investment in capital assets	77,512,159	77,512,159
Unrestricted	3,902,409	3,902,409
Total net position	<b>\$ 81,414,568</b>	<b>\$ 81,414,568</b>

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

**City of Erda**  
**Government-wide Statement of Activities**  
For the Year Ended June 30, 2025

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Primary Government	
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Total
<b>Primary government:</b>					
Governmental Activities:					
Administration	\$ 77,714	\$ -	\$ -	\$ (77,714)	\$ (77,714)
Highways & streets	1,373,975	259,403	469,394	(645,178)	(645,178)
Public safety	258,226	-	-	(258,226)	(258,226)
City Council	267,566	-	-	(267,566)	(267,566)
Total governmental activities	<b>1,977,481</b>	<b>259,403</b>	<b>469,394</b>	<b>(1,248,684)</b>	<b>(1,248,684)</b>
Total Primary Government	<b>\$ 1,977,481</b>	<b>\$ 259,403</b>	<b>\$ 469,394</b>	<b>\$ (1,248,684)</b>	<b>\$ (1,248,684)</b>
General revenues:					
Property tax				446,023	446,023
Sales tax				899,751	899,751
Franchise and other taxes				296,327	296,327
State liquor tax				2,730	2,730
Interest income				138,380	138,380
Total general revenues and transfers				<b>1,783,211</b>	<b>1,783,211</b>
Change in net position				534,527	534,527
Net Position - Beginning				80,880,041	80,880,041
Net Position - Ending				<b>\$ 81,414,568</b>	<b>\$ 81,414,568</b>

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

**City of Erda**  
**Balance Sheet – Governmental Funds**  
As of June 30, 2025

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	General Fund	Capital Project Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 394,710	3,300,000	<b>\$ 3,694,710</b>
Receivables - taxes	604,849	-	<b>604,849</b>
Restricted receivables - class C roads	70,635	-	<b>70,635</b>
Prepays	2,443	-	<b>2,443</b>
Total assets	<b><u>1,072,637</u></b>	<b><u>3,300,000</u></b>	<b><u>4,372,637</u></b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	77,240	-	<b>77,240</b>
Total liabilities	<b><u>77,240</u></b>	<b><u>-</u></b>	<b><u>77,240</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	392,988	-	<b>392,988</b>
Total deferred inflows	<b><u>392,988</u></b>	<b><u>-</u></b>	<b><u>392,988</u></b>
<b>FUND BALANCES</b>			
Assigned - Capital outlay	-	3,300,000	<b>3,300,000</b>
Unassigned	602,409	-	<b>602,409</b>
Total fund balances	<b><u>602,409</u></b>	<b><u>3,300,000</u></b>	<b><u>3,902,409</u></b>
Total liabilities and fund balances	<b><u>\$ 1,072,637</u></b>	<b><u>\$ 3,300,000</u></b>	<b><u>\$ 4,372,637</u></b>

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

**City of Erda**  
**Reconciliation of Total Governmental Fund Balances to**  
**Government-wide Net Position**  
As of June 30, 2025

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

Total fund balances - governmental fund types:	\$	3,902,409
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Capital assets and net pension assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	43,130,000	
Equipment, net	14,145	
Infrastructure, net	<u>34,368,014</u>	
		<u>77,512,159</u>

Net Position of government activities	<u><u>\$</u></u>	<u><u>81,414,568</u></u>
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The notes to the financial statements are an integral part of this statement



# City of Erda

## Statement of Revenues, Expenditures, and Changes in Fund Balance

### Governmental Funds

For the Year Ended June 30, 2025

	General Fund	Capital Project Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes			
Sales taxes	\$ 899,751	\$ -	\$ 899,751
Property taxes	446,023	-	446,023
Franchise taxes	211,584	-	211,584
Mass transit tax	84,743	-	84,743
Licenses and permits	128,336	-	128,336
Intergovernmental revenue	472,124	-	472,124
Charges for services	13,632	-	13,632
Interest income	138,380	-	138,380
Miscellaneous	117,435	-	117,435
Total revenues	<u>2,512,008</u>	<u>-</u>	<u>2,512,008</u>
<b>EXPENDITURES</b>			
Current:			
City Council	265,209	-	265,209
Administration	77,714	-	77,714
Highways & streets	469,553	-	469,553
Public safety	258,226	-	258,226
Total expenditures	<u>1,070,702</u>	<u>-</u>	<u>1,070,702</u>
Excess revenues over (under) expenditures	<u>1,441,306</u>	<u>-</u>	<u>1,441,306</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	1,750,000	1,750,000
Transfers out	(1,750,000)	-	(1,750,000)
Total other financing sources and uses	<u>(1,750,000)</u>	<u>1,750,000</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(308,694)	1,750,000	1,441,306
Fund balances - beginning of year	911,103	1,550,000	2,461,103
Fund balances - end of year	<u>\$ 602,409</u>	<u>\$ 3,300,000</u>	<u>\$ 3,902,409</u>

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

## City of Erda

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2024

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

Net changes in fund balances - total governmental funds	<u>\$ 1,441,306</u>
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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.

Developer contributions of assets are also not reported in fund statements as they do not represent current resources, but rather are included with capital assets on the Statement of Net Position. This is the amount by which capital outlay and developer contributions of assets exceeded depreciation in the current period.	(906,779)
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Change in net position of governmental activities	<u><u>\$ 534,527</u></u>
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The notes to the financial statements are an integral part of this statement

## **Notes to Financial Statements**

The notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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# **City of Erda**

## **Notes to the Financial Statements**

### **As of and For the Year Ended June 30, 2025**

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#### **Note 1 – Summary of Significant Accounting Policies**

The accompanying financial statements of the City of Erda have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements present the financial position of the various fund types and the results of their operations. The basic financial statements are presented for the year ended June 30, 2025.

#### **Reporting Entity**

The City of Erda (the City) was incorporated under the laws of the state of Utah. The City operates by ordinance under a five member council, with one member appointed as Chair to run meetings, and provides such services as are authorized by its charter including public safety (police and fire), highways and streets, sanitation, recreation, public improvements, planning and zoning, and general administration.

#### **Basis of Presentation**

The government-wide financial statements report information on the financial position and all of the activities of the City. 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 the given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Fiduciary funds are not reported in the government-wide financial statements.

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

**City of Erda**  
**Notes to the Financial Statements**  
As of and For the Year Ended June 30, 2025

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The City has presented the following major governmental funds:

*General Fund* – is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

*Capital Projects Fund* – is used to accumulate funds assigned for future capital projects.

The City currently has no proprietary funds.

**Net Position**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Net position for governmental funds can consist of the following:

*Nonspendable* – Any nonspendable fund balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

*Restricted* – Any restricted fund balance includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

*Committed* – Any committed fund balance includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City of Erda Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

*Assigned* – Any assigned fund balance includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City of Erda Council or (b) a body to which the governing body has delegated the authority to assign amounts. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund that are not classified as non-spendable, restricted, or committed.

*Unassigned* – The unassigned fund balance is the residual classification for the General Fund. This designation is also used in other governmental funds to report a negative fund balance.

**City of Erda**  
**Notes to the Financial Statements**  
As of and For the Year Ended June 30, 2025

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple net position classifications, net position is depleted in the order of restricted, committed, assigned, and unassigned, as needed unless the City Council has provided otherwise in its commitment or assignment actions.

**Property Taxes**

Tooele County assesses all taxable property other than centrally-assessed property, which is assessed through the state by May 22<sup>nd</sup> of each year. The City must adopt a final tax rate prior to June 22<sup>nd</sup>, which is then submitted to the State for approval. Property taxes are due on November 30<sup>th</sup>. Delinquent taxes are subject to a penalty of 2% or \$10, whichever is greater. After January 16<sup>th</sup> of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1<sup>st</sup> until paid.

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

**Other Taxes and Revenue**

Sales taxes, intergovernmental revenues, other revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**Unearned revenue**

Amounts reported as unearned revenue on the statement of net position are property taxes that have yet to be assessed by the County.

**Short-term Interfund Receivables/Payables**

During the course of operations, transactions occur which result in amounts owed to a particular fund by another fund, other than for goods provided or services rendered. These receivables and payables are classified as interfund receivables/payables on the balance sheet.

**Internal Activity in the Government-Wide Financial Statements**

Any interfund activity between funds is eliminated for the presentation of the government-wide financial statements.

**Deferred Outflows/Inflows of Resources**

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one of these items that qualify for reporting in this category. Deferred outflows of resources related to pensions – includes a) net difference between projected and actual earnings on pension plan investments and b) City contributions subsequent to the measurement date.

**City of Erda**  
**Notes to the Financial Statements**  
As of and For the Year Ended June 30, 2025

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City reports two of these items. Property taxes are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. Deferred inflows of resources related to pensions – includes a) differences between expected and actual experience and b) changes of assumptions in the measurement of the net pension liability/asset. These amounts are also reported on the government-wide statement of net position.

**Cash and Cash Equivalents**

For the purpose of the Statement of Net Position, the term “cash and cash equivalents” includes all demand deposit accounts, savings accounts, or other short-term, highly-liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly-liquid investments (including restricted position) with original maturities of three months or less to be cash equivalents.

**Investments**

The City considers all highly liquid investments maturing within three months of date of purchase to be cash equivalents. Cash balances are invested to the extent available. Investments include obligation of the U.S. Treasury, and repurchase agreements. Cash deemed to be in excess of immediate needs, other than cash and investments held for the City by trustees, is invested in the Utah State Public Treasurer’s Investment Fund or in approved corporate bonds. Investments are stated at cost, which approximates fair market value.

**Restricted Cash and Cash Equivalents and Receivables**

Cash balances and receivables that have external restrictions as to their use are reported as restricted cash and equivalents or receivables on the statement of net position and fund balance sheets.

**Prepaid Items**

Prepaid items record payments to vendors the benefit future reporting and are reported on the consumption basis. Prepaids are similarly reporting in government-wide and fund financial statements.

**Budget Amendments**

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

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at June 30, 2025, and revenues and expenses during the year then ended. The actual results could differ from those estimates.



**City of Erda**  
**Notes to the Financial Statements**  
As of and For the Year Ended June 30, 2025

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the period on property, plant, and equipment in the governmental funds.

Assets, having an original cost of \$5,000 or more are capitalized. Depreciation is calculated on each class of depreciable property other than infrastructure using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	25-50 Years
Improvements other than buildings	7-50 Years
Machinery and equipment	5-20 Years
Infrastructure	15-40 Years

**Note 2 – Deposits and Investments with Financial Institutions**

The City follows the requirements for the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This Act requires the depositing of City funds in a “qualified depository.” The Act defines a “qualified depository” as any financial institution whose deposits are insured by an agency of the federal government, and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council. Following are discussions of the City’s exposure to various risks related to its cash management activities.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be recovered. The City does not have a formal deposit policy for custodial credit risk. The City had no uninsured and uncollateralized bank balances at June 30, 2025.

**Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City’s policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investments transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as “first-tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. Government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated “A” or higher by two nationally recognized statistical rating organizations as defined in the Act.

**City of Erda**  
**Notes to the Financial Statements**  
As of and For the Year Ended June 30, 2025

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**Note 2 – Deposits and Investments with Financial Institutions (Continued)**

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based on the participants' average daily balances. The fair value of the City's position in the pool is the same as the value of its pool shares. The PTIF has not been rated.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The local government's policy to limit this risk is to adhere to the rules of the Money Management Council.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an instrument. The City manages its exposure to declines in fair value by investment mainly in the PTIF and adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments maturity of investments may not exceed the period of availability of the funds to be invested.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
PTIF	\$3,530,556	less than 1 year

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those the Governmental Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's investments of \$3,530,556 are with the Utah PTIF as aforementioned and are considered Level 2 inputs.

The deposits and investments described above are included on the Statement of Net Position as per the following reconciliation:

Reconciliation to Government-wide Statement of Net Assets:

Deposits	Deposits	\$ 164,154
Investments	Investments	3,530,556
	Total	<u>\$ 3,694,710</u>
Government - Wide		
Cash and Cash Equivalents	Unrestricted	\$ 3,694,710
Restricted Cash	Restricted	-
	Total	<u>\$ 3,694,710</u>

**City of Erda**  
**Notes to the Financial Statements**  
As of and For the Year Ended June 30, 2025

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**Note 3 – Legal Compliance – Budgets**

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

The proposed budget is presented to the City council for review at the first scheduled meeting in May. The City council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the City council. Within 30 days of adoption, the final budget must be submitted to the Utah State Auditor. If there is no increase to the certified tax rate, a final rate is adopted by June 22<sup>nd</sup> and adoption of budgets is done similarly.

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

**Note 4 – Restricted Net Position /Fund Balance Classifications**

Restricted net position represents amounts required to be maintained to satisfy third party agreements or legal requirements.

Pursuant to GASB No. 54 (see Note 1, *Net Position*) the governmental fund balances are classified as follows:

*Restricted fund balance* – None

*Assigned fund balance* - \$3,300,000 assigned for future capital projects.

The remaining fund balance is unassigned.

**Note 5 – Capital Assets**

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

	June 30, 2024	Additions	Retirements	June 30, 2025
<b>Assets not Depreciated</b>				
Land	\$ 43,130,000	\$ -	\$ -	\$ 43,130,000
<b>Assets Being Depreciated</b>				
Machinery & Equipment	16,502	-	-	16,502
Infrastructure	36,176,857	-	-	36,176,857
<b>Total Governmental Assets</b>	<b>79,323,359</b>	<b>-</b>	<b>-</b>	<b>79,323,359</b>
<b>Accumulated Depreciation</b>				
Machinery & Equipment	-	(2,357)	-	(2,357)
Infrastructure	(904,421)	(904,422)	-	(1,808,843)
<b>Total Accumulated Depreciation</b>	<b>(904,421)</b>	<b>(906,779)</b>	<b>-</b>	<b>(1,811,200)</b>
<b>Net Governmental Capital Assets</b>	<b>\$ 78,418,938</b>			<b>\$ 77,512,159</b>

**City of Erda**  
**Notes to the Financial Statements**  
As of and For the Year Ended June 30, 2025

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**Note 5 – Capital Assets (Continued)**

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

Streets and public improvements		\$ 904,422
	City Council	2,357
		<b>\$ 906,779</b>

**Note 6 – 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 Insurance Trust (the Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. There have been no claim settlements that exceeded the City's coverage for the past three years.

**Note 7 – Subsequent Events**

The City has evaluated events and transactions subsequent to the date of the audit report, which is the date the financial statements were available for issuance. No reportable events or transactions were noted.

**Note 8 – Interfund transfers**

During the fiscal year ended June 30, 2025, the City had an interfund transfer of \$1,750,000 from the General Fund to the Capital Projects Fund. The purpose of this transfer is to accumulate funds for future capital projects.

**Note 9 – Rounding Conventions**

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 computed generated and the rounding convention is applied to each amount displayed in a column, whether detail items or not. As a result, without the overhead cost of manually balancing each column, the sum of displayed amounts in a column may not equal the total displayed, or within the schedules presented in the footnotes to the financial statements, The maximum difference between any displayed number or total and its actual value will not be more than \$1.

## **Required Supplementary Information (Unaudited)**

Required supplementary information includes financial information and disclosures that are required by GASB, but are not considered a part of the basic financial statement. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Notes to Required Supplementary Information

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# City of Erda

## Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and actual

### General Fund

For the Year Ended June 30, 2025

	Budgeted Amounts		Variance with Original and Final Budget Over(Under)	Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final			
<b>REVENUES</b>					
Taxes					
Sales taxes	\$ 617,365	\$ 617,365	\$ -	\$ 899,751	\$ 282,386
Property taxes	362,000	362,000	-	446,023	84,023
Franchise taxes	100,000	100,000	-	211,584	111,584
Mass transit taxes	48,000	48,000	-	84,743	36,743
Licenses and permits	502,000.00	502,000	-	128,336	(373,664)
Intergovernmental revenue	300,000	300,000	-	472,124	172,124
Charges for services	-	-	-	13,632	13,632
Interest income	50,000	50,000	-	138,380	88,380
Miscellaneous	-	-	-	117,435	117,435
Total revenues	<u>1,979,365</u>	<u>1,979,365</u>	<u>-</u>	<u>2,512,008</u>	<u>532,643</u>
<b>EXPENDITURES</b>					
Current:					
City Council	344,600	344,600	-	265,209	(79,391)
Administration	170,500	170,500	-	77,714	(92,786)
Streets and public improvement	853,000	853,000	-	469,553	(383,447)
Public safety	400,000	400,000	-	258,226	(141,774)
Total expenditures	<u>1,768,100</u>	<u>1,768,100</u>	<u>-</u>	<u>1,070,702</u>	<u>(697,398)</u>
Excess revenues over (under) expenditures	<u>211,265</u>	<u>211,265</u>	<u>-</u>	<u>1,441,306</u>	<u>1,230,041</u>
<b>Other financing sources (uses)</b>					
Transfers in ( transfers out)	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>-</u>	<u>(1,750,000)</u>	<u>(250,000)</u>
Total other financing sources and uses	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>-</u>	<u>(1,750,000)</u>	<u>(250,000)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ (1,788,735)</u>	<u>\$ (1,788,735)</u>	<u>\$ -</u>	<u>(308,694)</u>	<u>\$ (1,480,041)</u>
Fund balances - beginning of year				911,103	
Fund balances - end of year				<u>\$ 602,409</u>	

# City of Erda

## Notes to the Required Supplementary Information

For the Year Ended June 30, 2024

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### **Budgetary Comparison Schedules**

The budgetary comparison schedule presented in this section of the report is for the City's General Fund.

### **Budgeting and Budgetary Control**

Budgets for the General 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 Commission 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.

### **General Fund Budgetary Highlights**

During the current fiscal year the General Fund budget for revenue was \$1,979,365. The actual revenue was \$2,512,008. This resulted in a favorable variance of \$532,643 for revenue. The General Fund budget for expenditures was \$1,768,100. Actual expenditures were \$1,070,702. This resulted in a favorable variance of \$697,398 for expenditures. Overall, the City had a favorable variance for the excess of revenues over expenditures of \$1,230,041 before transfers. The original budget was not amended during the year.

### **Current Year Excess of Expenditures over Appropriations**

For the year ended June 30, 2025 all departments and funds were within budgeted appropriations



## **Additional Reports**

### **Additional Auditor's Reports**

- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the State Compliance Audit Guide.

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**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**

City Council Members  
City of Erda  
Erda, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Erda, Utah, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Erda's basic financial statements and have issued our report thereon dated October 24, 2025.

***Report on Internal Control Over Financial Reporting***

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

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

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

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Erda'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*.

Larson & Company  
1606 Spanish Fork Parkway, Suite 200  
Spanish Fork, UT 84660  
Main: (801) 798-3545 | [www.larsco.com](http://www.larsco.com)

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**Purpose of this Report**

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



Larson & Company

Spanish Fork, Utah

October 24, 2025



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

To the City Council Members  
City of Erda  
Erda, Utah

**Report on Compliance**

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

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

Budgetary Compliance	Restricted Taxes and Related Revenues
Fund Balance	Fraud Risk Assessment
Government Fees	Cash Management
Tax Levy Recognition	Impact Fees
Public Treasurer's Bond	Open and Public Meetings Act
Enterprise Fund Transfers, Reimbursements, Loans, and Services	

**Opinion on Compliance**

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

**Basis for Opinion**

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

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

## ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

## **Report On Internal Control over Compliance**

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

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

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

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

*Larson & Company, PC*

Larson & Company, PC

Spanish Fork, Utah  
October 24, 2025