

DAVIS-SALT LAKE AERIAL SPRAY AUTHORITY

**Financial Statements and Required Supplementary Information
With Independent Auditor's Reports
For the year ended
December 31, 2022**

DAVIS-SALT LAKE AERIAL SPRAY AUTHORITY
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INDEPENDENT AUDITOR'S REPORT



CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

The Board of Directors
Davis-Salt Lake Aerial Spray Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Davis-Salt Lake Aerial Spray Authority (the Authority) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Davis-Salt Lake Aerial Spray Authority, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority 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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority'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 statement of revenues, expenditures, and changes in fund balance – budget and actual for the general fund, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Change in Accounting Principle

As described in Note 10 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2023, on our consideration of the Authority'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 the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

K&C, CPAs

K&C, Certified Public Accountants
Salt Lake City, Utah
May 24, 2023

DAVIS-SALT LAKE AERIAL SPRAY AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Davis-Salt Lake Aerial Spray Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2022.

Financial Highlights

- The net position of the DSLASA decreased by \$32,969 for 2022. This decrease was mainly due to depreciation expense of \$47,230.
- Actual general fund revenues for the 2022 year were \$209,645 lower than budgeted as a result of less chemical invoicing was necessary. Actual expenditures were \$226,056 below the budgeted expenditures as well, as less aerial spraying was necessary.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority'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 to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position.

The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The governmental activities of the Authority are to provide airport storage and loading facilities for Davis County and Salt Lake City Mosquito Abatement Districts.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local government units, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

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

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

The Authority adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget, and can be found after the Notes.

DAVIS-SALT LAKE AERIAL SPRAY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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.

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 Authority, assets exceed liabilities and deferred inflows of resources by \$2,012,674 at the close of the year. The largest portion of the Authority's net position reflects its net investment in capital assets of \$1,352,962. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The unrestricted net position at year end was \$659,712.

The Authority's Net Position

	Governmental Activities		Increase
	2022	2021	(Decrease)
Current and other assets	\$ 745,290	\$ 686,755	\$ 58,535
Capital assets, net	1,366,679	1,413,909	(47,230)
Total assets	2,111,969	2,100,664	11,305
Long-term liabilities	7,236	20,478	(13,242)
Other liabilities	28,659	34,543	(5,884)
Total liabilities	35,895	55,021	(19,126)
Deferred inflows of resources	63,400	-	63,400
Net position			
Net investment in capital assets	1,352,962	1,393,431	(40,469)
Unrestricted	659,712	652,212	7,500
Total net position	\$ 2,012,674	\$ 2,045,643	\$ (32,969)

At the end of the current fiscal year, the total net position of the Authority decreased by \$32,969 or 1.62%.

The Authority's Change in Net Position

	Governmental Activities		Increase
	2022	2021	(Decrease)
Revenues:			
Program revenues:			
Charges for services	\$ 600,852	\$ 869,910	\$ (269,058)
Operating grants and contributions	62,000	62,000	-
Capital grants and contributions	-	-	-
General revenues:			
Unrestricted investment earnings	6,808	1,203	5,605
Total revenues	669,660	933,113	(263,453)
Expenses:			
Aerial spray	701,943	884,728	(182,785)
Interest expense	686	-	686
Total expenses	702,629	884,728	(182,099)
Change in net position	(32,969)	48,385	(81,354)
Net position, beginning	2,045,643	1,997,258	48,385
Net position, ending	\$ 2,012,674	\$ 2,045,643	\$ (32,969)

**DAVIS-SALT LAKE AERIAL SPRAY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

The Authority's Capital Asset and Debt Administration

Capital Assets

Below is a summary of the capital asset activity during the year. There were no capital asset additions or disposals. See Note 4 for additional information.

	Governmental Activities		
	2022	2021	Change
Buildings and improvements	\$ 1,744,071	\$ 1,744,071	\$ -
Machinery and equipment	55,229	55,229	-
Right-of-use asset - land	20,478	20,478	-
Less: Accumulated depreciation	(453,099)	(405,869)	(47,230)
Capital assets, net	<u>\$ 1,366,679</u>	<u>\$ 1,413,909</u>	<u>\$ (47,230)</u>

Long-term Liabilities

The Authority's only long-term liability relates to a lease agreement for land at the Ogden-Hinckley Airport for the land on which the Authority constructed its hangar. See note 5 for additional information.

	2022	2021	Change
Lease payable - airport land	\$ 13,717	\$ 20,478	\$ (6,761)
Total long-term liabilities	<u>\$ 13,717</u>	<u>\$ 20,478</u>	<u>\$ (6,761)</u>

Financial Analysis of the Government's Funds

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

Governmental Funds

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

At the end of the current fiscal year, the Authority's funds reported combined ending fund balances of \$660,398. \$175,176 is assigned to Capital Projects, and \$2,764 represents prepaid insurance, and therefore is not available for spending. \$482,458 of the combined ending fund balance is unassigned and available for spending at the Authority's discretion within the general fund.

General Fund Budgetary Highlights

Each year the Authority sets a budget for its anticipated operations. As budget year continues, amendments to the budget are often necessary. During the year, the Authority did not amend the budgeted revenues, and only amended the expenditures by reducing facility maintenance down \$5,000. As part of the amended budget, the Authority budgeted for a possible \$270,000 transfer to the capital projects fund. That transfer was not necessary as the Authority's general fund stayed below the 35% Unrestricted fund balance limit.

In comparing the Authority's budget to its actual results, some of the more significant variances are as follows:

- Chemical invoicing revenues were \$209,452 below what was budgeted. This variance is primarily the result of less aerial spraying required, and therefore, less costs to charge to SLCMAD and MAD-D.

**DAVIS-SALT LAKE AERIAL SPRAY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

- Pesticide costs were less than budgeted by a combined \$206,896. As alluded to in the previous point, this is the result of less aerial spraying required, and therefore less product to purchase.

Current Economic Situation and Next Year's Budget

Due to the wetter than usual winter, the Authority's 2023 budget includes increases in chemical invoice revenue by \$99,000. Contributions from SLCMAD and MAD-D are budgeted to be decreased by a total of \$12,000. The 2023 budget likewise includes an increase in expected pesticide expense of \$99,000 for anticipated increase product use. An increase in land lease expense is also anticipated based on the normal inflationary increases based on the Consumer Price Index.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Salt Lake City Mosquito Abatement District, 2020 North Redwood Road, Salt Lake City, UT 84116-1248.

DAVIS-SALT LAKE AERIAL SPRAY AUTHORITY
Statement of Net Position
December 31, 2022

Assets

Current assets:

Cash and cash equivalents	\$ 674,516
Accounts receivable	806
Lease receivable	67,204
Prepaid expenses	2,764
Total current assets	<u>745,290</u>

Noncurrent assets:

Capital Assets, net of accumulated depreciation	<u>1,366,679</u>
Total noncurrent assets:	<u>1,366,679</u>

Total assets	<u><u>\$ 2,111,969</u></u>
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Liabilities

Current liabilities:

Accounts payable and accrued liabilities	\$ 21,492
Accrued interest payable	686
Lease payable, current portion	6,481
Total current liabilities	<u>28,659</u>

Noncurrent liabilities:

Lease payable	<u>7,236</u>
Total noncurrent liabilities	<u>7,236</u>

Total liabilities	<u>35,895</u>
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Deferred Inflows of Resources

Deferred inflows relating to lease receivable	<u>63,400</u>
Total deferred inflows of resources	<u>63,400</u>

Net position

Net investment in capital assets	1,352,962
Unrestricted	659,712
Total net position	<u><u>\$ 2,012,674</u></u>

DAVIS-SALT LAKE AERIAL SPRAY AUTHORITY
Statement of Activities
For the Year Ended December 31, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
			Operating	Capital	
		Charges for	Grants and	Grants and	Governmental
		Services	Contribution	Contributions	Activities
Governmental Activities:	Expenses				
Aerial spray	\$ 701,943	\$ 600,852	\$ 62,000	\$ -	\$ (39,091)
Interest expense	686	-	-	-	(686)
Total Government	\$ 702,629	\$ 600,852	\$ 62,000	\$ -	(39,777)
General Revenues:					
Unrestricted interest earnings					6,808
Transfers					-
Total General Revenues					6,808
Change in net position					(32,969)
Net Position, beginning of year					2,045,643
Net Position, end of year					\$ 2,012,674

See Independent Auditor's Report and Notes to Financial Statements

DAVIS-SALT LAKE AERIAL SPRAY AUTHORITY
Balance Sheet – Governmental Funds
December 31, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	\$ 499,340	\$ 175,176	\$ 674,516
Accounts receivable	806	-	806
Lease receivable	67,204	-	67,204
Prepaid expenses	2,764	-	2,764
Total Assets	<u>\$ 570,114</u>	<u>\$ 175,176</u>	<u>\$ 745,290</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 21,492	\$ -	\$ 21,492
Total Liabilities	<u>21,492</u>	<u>-</u>	<u>21,492</u>
Deferred Inflows of Resources			
Deferred inflows relating to lease receivable	\$ 63,400	\$ -	\$ 63,400
Total deferred inflows of resources	<u>63,400</u>	<u>-</u>	<u>63,400</u>
Fund Balances			
Non-spendable:			
Prepaid expenses	2,764	-	2,764
Assigned:			
Capital projects	-	175,176	175,176
Unassigned	482,458	-	482,458
Total Fund Balances	<u>485,222</u>	<u>175,176</u>	<u>660,398</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 570,114</u>	<u>\$ 175,176</u>	<u>\$ 745,290</u>

DAVIS-SALT LAKE AERIAL SPRAY AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2022

Total Governmental Fund Balances	\$ 660,398
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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.	1,366,679
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Long-term liabilities, including lease payable and accrued interest, are not due and payable in the current period and therefore, not reported in the funds:

Lease Payable	(13,717)	
Accrued Interest	(686)	(14,403)

Net Position of Governmental Activities	\$ 2,012,674
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DAVIS-SALT LAKE AERIAL SPRAY AUTHORITY
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Contributions from member entities	\$ 62,000	\$ -	\$ 62,000
Hangar lease	9,304	-	9,304
Chemical invoicing	591,548	-	591,548
Interest	6,808	-	6,808
Total Revenues	<u>669,660</u>	<u>-</u>	<u>669,660</u>
Expenditures			
Current:			
Aerial spraying	654,713	-	654,713
Debt service:			
Principal	6,761	-	6,761
Total Expenditures	<u>661,474</u>	<u>-</u>	<u>661,474</u>
Excess of Revenues Over (Under) Expenditures	<u>8,186</u>	<u>-</u>	<u>8,186</u>
Net Change in Fund Balances	8,186	-	8,186
Fund Balances, beginning of year	<u>477,036</u>	<u>175,176</u>	<u>652,212</u>
Fund Balances, end of year	<u><u>\$ 485,222</u></u>	<u><u>\$ 175,176</u></u>	<u><u>\$ 660,398</u></u>

DAVIS-SALT LAKE AERIAL SPRAY AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022

Net Changes in Fund Balances - Total Governmental Funds	\$	8,186
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Amounts reported for governmental activities in the statement of activities are different because:

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 as depreciation expense.

Depreciation expense	(47,230)	(47,230)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for the transactions that are not normally paid with expendable available financing resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, assets are not recognized in governmental funds unless they represent current financing resources but are recognized in the statement of activities as they accrue. The following differences, therefore, occurred between the statement of activities and the governmental funds.

Principal paid on lease	6,761	
Accrued interest	(686)	6,075

Change in Net Position of Governmental Activities	\$	(32,969)
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Notes to Financial Statements

Davis-Salt Lake Aerial Spray Authority
Notes to Financial Statements

NOTE 1: Organization and Summary of Significant Accounting Policies

A. Organization and Reporting Entity

The Davis-Salt Lake City Aerial Spray Authority (the Authority) is an interlocal entity operating in Utah. The purpose of the Authority is to provide an airport storage and loading facility for Davis County Mosquito Abatement District and Salt Lake City Mosquito Abatement District. No other government entity is included in this report.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision not to include any potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB).

The Davis-Salt Lake Aerial Spray Authority was created as a joint venture between Davis County Mosquito Abatement District and Salt Lake City Mosquito Abatement District. The Authority was formed to create an airplane storage and loading facility at the Ogden Airport to help both Districts with the costs associated with aerial spraying to prevent mosquito populations in their respective areas. They are each required to contribute 50% of the required revenues to the Authority yearly. The Districts prepare separately issued financial statements that can be obtained per a request to the corresponding District.

B. General Statement

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Under GASB Statement No. 61 (*The Financial Reporting Entity*) the financial reporting entity consists of the primary government. The more significant accounting policies established in GAAP and used by the Authority are discussed below.

C. Basic Financial Statements

The Authority's basic financial statements consist of the government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

Statement of Net Position - The statement of net position and the statement of activities display information about the Authority as a whole. These statements include the financial activities of the primary government and exclude fiduciary activities. The statement of net position presents the financial condition of the governmental activities of the Authority at year end.

Statement of Activities - The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Authority's governmental activities of the Authority. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program.

Davis-Salt Lake Aerial Spray Authority
Notes to Financial Statements (Continued)

NOTE 1: Organization and Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements (Continued)

Revenues which are not classified as program revenues are presented as general revenues of the Authority, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Authority.

Fund Financial Statements

During the year, the Authority segregates transactions related to certain Authority functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Authority at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

D. Fund Accounting

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

There are three categories of funds: governmental, proprietary, and fiduciary. The following fund types are used by the Authority:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Authority:

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources that are not specifically accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

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

E. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

Davis-Salt Lake Aerial Spray Authority
Notes to Financial Statements (Continued)

NOTE 1: Organization and Summary of Significant Accounting Policies (Continued)

E. Measurement Focus/Basis of Accounting (Continued)

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time a liability is incurred.

Fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Interest is susceptible to accrual. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

F. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Equity

Cash and Cash Equivalents and Investments

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

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

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables, payables, and transfers between funds within governmental activities are eliminated in the government-wide statements.

Davis-Salt Lake Aerial Spray Authority
Notes to Financial Statements (Continued)

NOTE 1: Organization and Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Equity (Continued)

Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

Capital assets which include property, plant, and equipment are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical 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 construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	50
Operating equipment	3-10

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-term liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of notes payable and bonds payable.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Deferred Outflows of Resources, and Deferred Inflows of Resources

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

Davis-Salt Lake Aerial Spray Authority
Notes to Financial Statements (Continued)

NOTE 1: Organization and Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Equity (Continued)

In addition to liabilities, the statement of financial 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 and so will not be recognized as an inflow of resources (revenue) until that time.

The authority currently only reports deferred inflows of resources relating to lease receivables.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by any 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 in place 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.”

It is the Authority’s policy to first apply restricted resources before applying unrestricted resources when an expense is incurred for purposes by which both restricted and unrestricted net position are available. The Authority only uses the restricted net position for their specified purposes, if applicable.

Fund Statements

The governmental fund balances may be classified as follows:

- d. Non-spendable – Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- e. Restricted fund balance – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provisions or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- f. Committed fund balance – Fund balances are reported as committed when the Board formally designates the use of resources by resolution for a specific purpose and cannot be used for any other purpose unless the Board of Directors likewise formally changes the use.

Davis-Salt Lake Aerial Spray Authority
Notes to Financial Statements (Continued)

NOTE 1: Organization and Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Equity (Continued)

- g. Assigned fund balance – Fund balances are reported as assigned when the Board of Directors or Management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- h. Unassigned fund balance – Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

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

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, and reimbursement, are reported as operating transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers.

NOTE 2: Deposits and Investments

Deposits and investments for the Authority are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the Authority's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The Authority's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of Authority funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The Authority's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state bank balance statutes require them to be. The Authority's deposits at December 31, 2022 were \$326,493, of which \$76,493 were uninsured and uncollateralized.

Davis-Salt Lake Aerial Spray Authority
Notes to Financial Statements (Continued)

NOTE 2: Deposits and Investments (Continued)

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The Authority's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment 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; and shares in a money market fund as defined in the Act.

The Authority is also 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 upon the participants' average daily balances. The fair value of the PTIF investment pool approximates the value of the pool shares.

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

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

At December 31, 2022, the Authority had the following recurring fair value measurements:

Investments by fair value level	Total	Fair Value Measurements by Level		
		Level 1	Level 2	Level 3
Utah Public Treasurer's Investment Fund (PTIF)	\$ 350,635	\$ -	\$ 350,635	\$ -
Total investments by fair value level	<u>\$ 350,635</u>	<u>\$ -</u>	<u>\$ 350,635</u>	<u>\$ -</u>

Balances in the PTIF are recorded at amortized cost, which approximates the fair value.

The Authority's investments ratings at December 31, 2022 are as follows:

Investment Type	AAA	AA	A	Unrated
Utah Public Treasurer's Investment Fund (PTIF)	\$ -	\$ -	\$ -	\$ 351,021
Total investments by quality rating	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,021</u>

Davis-Salt Lake Aerial Spray Authority
Notes to Financial Statements (Continued)

NOTE 2: Deposits and Investments (Continued)

C. 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 investment. The Authority manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The 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 of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the Authority's investments are noted in the table below:

Type of investment	Total	Investment maturities (in years)		
		Less than 1	1-5 years	More than 6
Utah Public Treasurer's Investment Fund (PTIF)	\$ 350,635	\$ 350,635	\$ -	\$ -
Total investments by maturity	\$ 350,635	\$ 350,635	\$ -	\$ -

D. 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 Authority's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

At December 31, 2022, the Authority does not hold more than 10 percent of total investments in any single security concentration.

NOTE 3: Leasing Arrangements

The Authority as Lessor

The Authority leases out its airport hangar to a vendor to facility the aerial spray contract with that vendor. During the year, the Authority entered into a new leasing arrangement with the vendor. This leasing arrangement will remain in effect while the aerial spray agreement with the vendor is in effect, which is a term of three years with an option to extend an additional two years. The terms of the agreement are \$3,000 per month for the months of October, November, December, January, and February each year. The lease ends in March 2027. As a result of this leasing arrangement, the Authority reports a lease receivable and an offsetting deferred inflow of resources. The receivable will be reduced as payments are received. The deferred inflow of resources will be amortized over the lease term to record hangar lease revenue. The Authority used a 5% interest rate to determine the present value of future receipts. During the year, the Authority recognized \$3,804 from the current lease, and interest from hangar lease of \$806. \$5,500 of hangar lease rental was recognized during the year for the January and February 2022 months that was part of the previous lease agreement with the vendor.

Davis-Salt Lake Aerial Spray Authority
Notes to Financial Statements (Continued)

NOTE 3: Leasing Arrangements (Continued)

The Authority as Lessee

The Authority leases land from Ogden City at its Ogden Hinckley Airport where the Authority constructed a hangar. The lease was started in January 2008 and is effective up through December 31, 2024. Payments are scheduled to be paid at the beginning of each year. The lease agreement states that payments will increase each year based on the Consumer Price Index. See Note 5 for further information. As a result of this agreement, the Authority reports a right-of-use asset along with its capital assets. Amortization on the right-of-use asset is included with depreciation expense.

NOTE 4: Capital Assets

Capital asset activity for the year ended December 31, 2022, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	\$ 1,744,071	\$ -	\$ -	\$ 1,744,071
Machinery and equipment	55,229	-	-	55,229
Right-of-use asset - land	20,478	-	-	20,478
Total capital assets being depreciated	1,819,778	-	-	1,819,778
Less accumulated depreciation for:				
Buildings and improvements	(368,606)	(34,881)	-	(403,487)
Machinery and equipment	(37,263)	(5,523)	-	(42,786)
Right-of-use asset - land	-	(6,826)	-	(6,826)
Total accumulated depreciation	(405,869)	(47,230)	-	(453,099)
Total capital assets, being depreciated, net	1,413,909	(47,230)	-	1,366,679
Capital assets, net	<u>\$ 1,413,909</u>	<u>\$ (47,230)</u>	<u>\$ -</u>	<u>\$ 1,366,679</u>

Depreciation expense for the year was \$47,230 charged to the Aerial Spray function. No interest was capitalized during the fiscal year.

NOTE 5: Long-term Debt

The Authority's long-term liability activities for the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease payable - airport land	\$ 20,478	\$ -	\$ (6,761)	\$ 13,717	\$ 6,481
Totals	<u>\$ 20,478</u>	<u>\$ -</u>	<u>\$ (6,761)</u>	<u>\$ 13,717</u>	<u>\$ 6,481</u>

The Authority leases land from Ogden City at its Ogden Hinckley Airport where the Authority constructed a hangar. The lease was started in January 2008 and is effective up through December 31, 2024. Payments are scheduled to be paid at the beginning of each year. The lease agreement states that payments will increase each year based on the Consumer Price Index. The Authority assumed a 5% interest rate to determine the present value of future lease payments. As a result of this lease, the Authority also recognizes a right-of-use asset – airport land. Future payments on the lease are as follows:

Davis-Salt Lake Aerial Spray Authority
Notes to Financial Statements (Continued)

NOTE 5: Long-term Debt (Continued)

Year	Lease payable - Airport land		
	Principal	Interest	Total
2023	\$ 6,481	\$ 686	\$ 7,167
2024	7,236	362	7,598
	<u>\$ 13,717</u>	<u>\$ 1,048</u>	<u>\$ 14,765</u>

Interest Rate: 5.00% (imputed)

The hangar that is on the land leased from the airport is subleased to a third-party vendor as described in Note 4.

NOTE 6: Interfund Transfers

From time to time, transfers are made between the General Fund and the Capital Projects Fund. During the year ended December 31, 2022, no interfund transfers were made.

NOTE 7: Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The budget officer prepares and files a tentative budget which is to be presented to the governing body by November 1.
2. Tentative budgets are a matter of public record available for inspection for at least ten days prior to adoption.
3. Published notices are sent seven days prior to a public hearing on adoption of the budget.
4. Public hearings are held on the tentative budgets.
5. Final adjustments to the tentative budgets are made by the governing body after the public hearing.
6. By December 15, the budget is adopted by resolution of the governing body and filed with the State Auditor.

Budgets may be increased by resolution of the board at any time during the year. A public hearing must be held regarding any proposed increase in funds appropriations.

Budget amendments are required only when excess expenditures occur at the departmental level. Utah state law allows for any undesignated fund balance in excess of 5% of total revenues of the general fund to be utilized for budget purposes. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 35% of the total general fund's revenues.

All unused budget appropriations lapse at year end. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The accounting methods and policies used for budgetary purposes are the same as the methods and policies used in the fund financial statements. Therefore, no reconciliation is needed as the results are identical.

Davis-Salt Lake Aerial Spray Authority
Notes to Financial Statements (Continued)

NOTE 8: Commitments and Contingencies

The Authority is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The Authority purchases commercial insurance to mitigate the risk of loss to the Authority. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any significant reduction in insurance coverage.

NOTE 9: Subsequent Events

Subsequent events were evaluated up through May 24, 2023, the date which the financial statements were available to be issued.

NOTE 10: Implementation of New Standard

During the current year, GASB Statement No. 87, *Leases*, became effective and the Authority therefore implemented the new standard. This Statement addresses accounting for lease arrangements from both the lessor and lessee perspective. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources, except for certain regulated leases.

As a result of implementing this new Statement, the Authority reports a lease receivable and a deferred inflow of resources related to the lease receivable. As the lease was entered into during the year, there is no impact to beginning fund balance or net position.

As a result of implementing this new Statement, the Authority reports a lease payable and a right-of-use asset. This adjustment has no impact on the Authority's beginning fund or net position as the lease payable and the right-of-use asset are reported at the same beginning balance.

Required Supplementary Information

Davis-Salt Lake Aerial Spray Authority
Statement of Revenues, Expenditures, and Changes in
Fund Balance – General Fund – Budget and Actual
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Contributions from member entities	\$ 62,000	\$ 62,000	\$ 62,000	\$ -
Hangar lease	13,750	13,750	9,304	(4,446)
Chemical invoicing	801,000	801,000	591,548	(209,452)
Interest	2,555	2,555	6,808	4,253
Total Revenues	<u>879,305</u>	<u>879,305</u>	<u>669,660</u>	<u>(209,645)</u>
Expenditures				
Aerial spraying				
Board expenses	-	2,400	2,341	59
Bookkeeping	7,000	7,000	6,459	541
Pesticides (Dibrom)	416,000	416,000	342,384	73,616
Pesticides (BTI)	385,000	385,000	251,720	133,280
Facility Maintenance	30,000	25,000	25,100	(100)
Utilities	22,000	22,000	18,946	3,054
Insurance	5,000	5,000	4,393	607
Professional services	5,000	5,000	2,145	2,855
Miscellaneous	13,630	13,630	1,225	12,405
Debt service:				
Principal	6,500	6,500	6,761	(261)
Total Expenditures	<u>890,130</u>	<u>887,530</u>	<u>661,474</u>	<u>226,056</u>
Excess of Revenues Over (Under) Expenditures	<u>(10,825)</u>	<u>(8,225)</u>	<u>8,186</u>	<u>16,411</u>
Other Financing Sources (Uses)				
Transfers in (out)	-	(270,500)	-	270,500
Total Other Financing Sources (Uses)	<u>-</u>	<u>(270,500)</u>	<u>-</u>	<u>270,500</u>
Net Change in Fund Balances	<u>(10,825)</u>	<u>(278,725)</u>	<u>8,186</u>	<u>286,911</u>
Fund Balances, beginning of year	<u>477,036</u>	<u>477,036</u>	<u>477,036</u>	<u>-</u>
Fund Balances, end of year	<u><u>\$ 466,211</u></u>	<u><u>\$ 198,311</u></u>	<u><u>\$ 485,222</u></u>	<u><u>\$ 286,911</u></u>

Supplemental 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**



Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

The Board of Directors
Davis-Salt Lake Aerial Spray Authority
Salt Lake City, 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, and each major fund of the Davis-Salt Lake Aerial Spray Authority (the Authority), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 24, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

K&C, CPAs

K&C, Certified Public Accountants
Salt Lake City, Utah
May 24, 2023

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



CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

To the Board of Directors, and Management
Davis-Salt Lake Aerial Spray Authority
Salt Lake City, Utah

Report on Compliance

We have audited the Davis-Salt Lake Aerial Spray Authority's (the Authority) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended December 31, 2022.

State compliance requirements were tested for the year ended December 31, 2022 in the following areas:

- Budgetary Compliance
- Fund Balance
- Fraud Risk Assessment
- Governmental Fees
- Cash Management

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Authority's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Compliance

In our opinion, the Davis-Salt Lake Aerial Spray Authority complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2022.

Report on Internal Control Over Compliance

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

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

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

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

K&C, CPAs

K&C, Certified Public Accountants
Salt Lake City, Utah
May 24, 2023