GRANGER-HUNTER IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

December 31, 2013

C O N T E N T S

www.WSRP.com
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Granger-Hunter Improvement District

We have audited the accompanying financial statements of the Granger-Hunter Improvement District (the District) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibilities for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Granger-Hunter Improvement District as of December 31, 2013 and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

WISAN, SMITH, RACKER & PRESCOTT, LLP

SALT LAKE ~ 155 North 400 West, Suite 400 · Salt Lake City, Utah · 84103 · 801.328.2011 (office) · 801.328.2015 (fax)
LAS VEGAS ~ 1820 East Warm Springs Road, Suite 112 · Las Vegas, Nevada · 89119 · 702.451.3099 (office) · 702.568.5030 (fax)

Licensed to Practice in Utah, Wyoming, Nevada, New Mexico and Idaho.
Member: American Institute, Utah Association and Nevada Society of Certified Public Accountants

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 inquires, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements as a whole. The budget to actual comparison and the schedule of expenditures of state grants, contracts, and loan funds listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budget to actual comparison and the schedule of expenditures of state grants, contracts, and loan funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information in the schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2014, on our consideration of the District'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* and should be considered in assessing the results of our audit.

Wisan, Smith, Racker & Prescott, LLP

Salt Lake City, Utah
May 12, 2014

wsrp

GRANGER-HUNTER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

As management of the Granger-Hunter Improvement District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending December 31, 2013. We encourage readers to consider the financial information presented here in conjunction with the financial statements and accompanying notes, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $134,968,206 (net position). Of this amount, $39,539,019 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by $2,687,249. Approximately 52% of this increase is made up of developer-contributed water and sewer lines.
- The District's operating revenues decreased by $1,497,951 (6%) in comparison with the prior year.
- The District's long-term debt increased by $783,446 during the current fiscal year.

Overview of the Financial Statements

The District's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States, promulgated by the Governmental Accounting Standards Board ("GASB"). The District reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See Footnote 1 to the financial statements for a summary of the District's significant accounting policies.

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Net Position

Assets	**2013**	**2012**	**2011**
Current and other assets	$ 43,441,573	$ 44,972,962	$ 41,403,286
Restricted assets	3,598,363	2,971,949	3,586,255
Capital assets	99,924,986	95,482,018	91,435,175
Total assets	146,964,922	143,426,929	136,424,716
Deferred Outflows of Resources	51,787	83,891	123,304
Liabilities			
Current liabilities	3,349,087	3,282,966	2,641,292
Long-term obligations, less current maturities	8,699,416	7,946,897	4,955,158
Total liabilities	12,048,503	11,229,863	7,596,450
Net Position			
Net investment in capital assets	91,830,824	88,263,033	87,374,554
Restricted for capital projects	3,598,363	2,971,949	3,586,255
Unrestricted	39,539,019	41,045,975	37,990,761
Total net position	$ 134,968,206	$ 132,280,957	$ 128,951,570

The statement of net position includes all of the District's assets, liabilities, and net position which are categorized as net investment in capital assets, restricted, or unrestricted. As can be seen from the schedule above, net position increased by $2,687,249 at the end of the current year, an increase of 2% compared to last year. The largest portion of the District's net position, $91,830,824 (68%), reflects its investment in capital assets (e.g., land, buildings, water and sewer system facilities, and equipment). The District uses these capital assets in its daily operations; consequently, they are not available for future spending. An additional portion of the District's net position, $3,598,363 (3%) represents resources that are subject to external restrictions on how they may be used.

While the statement of net position shows the change in financial position, the summary of the District's statement of revenues, expenses, and changes in net position, provides information regarding the nature and source of these changes as seen in the following schedule.

GRANGER-HUNTER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Changes in Net Position

	2013	2012	2011
Operating revenues	$ 23,855,398	$ 25,353,349	$ 21,699,912
Operating expenses	(26,748,460)	(26,690,150)	(24,599,382)
Operating loss	(2,893,062)	(1,336,801)	(2,899,470)
Non-operating revenues, net	4,463,537	3,840,919	3,406,769
Non-operating expenses - interest	(262,187)	(230,552)	(205,179)
Income before capital contributions	1,308,288	2,273,566	302,120
Capital contributions	1,378,961	1,092,016	140,845
Change in net position	2,687,249	3,365,582	442,965
Total net position:			
Beginning of year	132,280,957	128,951,570	128,508,605
Adjustments to net position	-	(36,195)	-
End of year	$ 134,968,206	$ 132,280,957	$ 128,951,570

Capital Asset Activity

The District's investment in capital assets as of December 31, 2013, amounts to $99,924,986 (net of accumulated depreciation). The investment in capital assets includes land, buildings, water and sewer system facilities, and machinery and equipment. The District's investment in capital assets for the current fiscal year increased by 5% percent overall.

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

- Construction of new or replacement water lines.
- Rehabilitation and upgrade to the Decker Main sewer lift station.
- Replacement of old cast iron water pipelines with new and larger PVC pipe.
- Replacement of Pressure Reducing Valve (PRV) stations.
- Sewer main lining project.
- Water and sewer lines contributed to the District by developers.
- Reconstruction of old Main/Armstrong sewer lift station.
- Winder tank replacement.
- Well 12/Acord booster station upgrade
- Building E vehicle storage facility

Capital Assets
Net of Accumulated Depreciation

	2013	2012	2011
Land	$ 2,853,406	$ 2,853,406	$ 2,853,406
Buildings and improvements	3,361,252	3,544,254	3,619,320
Water System	37,295,173	35,938,642	36,028,196
Sewage pumping plant	13,563,000	6,044,723	6,471,533
Sewage collection lines	34,903,469	35,515,798	35,187,982
Transportation equipment	883,183	698,916	648,126
Engineering and other equipment and tools	2,058,785	2,266,664	2,470,862
Office furniture and equipment	111,314	166,296	219,994
Construction in progress	4,895,404	8,453,319	3,935,756
	$ 99,924,986	$ 95,482,018	$ 91,435,175

Debt Administration
At the end of the current fiscal year, the District had total long-term debt of $9,575,629. The debt represents bonds secured solely by specified revenue sources and post-employment liabilities. The District's outstanding long-term debt increased by a net of $783,446 during the fiscal year. The District has no outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 5.

Requests for information
This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the Controller of the Granger-Hunter Improvement District, 2888 South 3600 West, West Valley City, Utah 84170 or by telephone (801) 968-3551.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2013

ASSETS		
Unrestricted cash and cash equivalents		$ 5,979,636
Marketable securities		14,406,337
Property taxes receivable		143,374
Accounts receivable, net of allowance		2,232,592
Prepaid expenses		97,500
Inventory		673,912
Restricted cash and cash equivalents		3,598,363
Capital assets, net		99,924,986
Advances to Central Valley Water Reclamation Facility		264,050
Investment in Central Valley Water Reclamation Facility		19,586,571
Water Rights		57,601
	TOTAL ASSETS	146,964,922
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on early retirement of debt		51,787
LIABILITIES		
Accounts payable		1,186,264
Accrued expenses		988,418
Accrued interest on bonds payable		147,457
Customer water deposits		98,948
Revenue bonds payable, current		928,000
Revenue bonds payable, long-term		7,217,949
Post employment termination liabilities		1,481,467
	TOTAL LIABILITIES	12,048,503
NET POSITION		
Net investment in capital assets		91,830,824
Restricted for capital projects		3,598,363
Unrestricted		39,539,019
	TOTAL NET POSITION	$ 134,968,206

The accompanying notes are an integral part of the financial statements.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended December 31, 2013

OPERATING REVENUES	
Metered water sales	$ 14,275,795
Sewer service charges	9,265,740
Other	313,863
TOTAL OPERATING REVENUES	23,855,398
OPERATING EXPENSES	
Direct operation and maintenance	13,090,741
General and administrative	7,908,861
Depreciation	5,748,858
TOTAL OPERATING EXPENSES	26,748,460
OPERATING LOSS	(2,893,062)
NON-OPERATING REVENUES (EXPENSES)	
Property taxes	3,783,374
Impact fees	1,664,273
Interest income	327,287
Interest expense	(262,187)
Gain on disposal of assets	78,256
Unrealized loss on marketable securities	(82,939)
Equity in net loss of Central Valley Water Reclamation Facility	(1,306,714)
TOTAL NON-OPERATING REVENUES - NET	4,201,350
Income before capital contributions	1,308,288
CAPITAL CONTRIBUTIONS	1,378,961
CHANGE IN NET POSITION	2,687,249
Net position - beginning of year	132,280,957
Net position - end of year	$ 134,968,206

The accompanying notes are an integral part of the financial statements.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
Year ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	$ 24,088,237
Payments to suppliers	(15,949,911)
Payments to employees	(5,074,843)
Net cash flows from operating activities	3,063,483
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes collected	3,732,068
Net cash flows from noncapital financing activities	3,732,068
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Impact fees received	1,664,273
Proceeds from the issuance of Series 2012 revenue bonds	1,750,000
Principal paid on revenue bonds	(902,000)
Payments for acquisition and construction of capital assets	(8,812,865)
Interest paid on revenue bonds	(235,010)
Proceeds from sale of assets	78,256
Net cash used by capital and related financing activities	(6,457,346)
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash from sale of investments	10,829,624
Cash paid for purchase of investments	(16,443,637)
Interest received on investments	327,287
Net cash used by investing activities	(5,286,726)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,948,521)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,526,520
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 9,577,999
CASH AND CASH EQUIVALENTS RECORDED IN THE ACCOMPANYING STATEMENT OF NET POSITION:	
Unrestricted	$ 5,979,636
Restricted	3,598,363
	$ 9,577,999

The accompanying notes are an integral part of the financial statements.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
Year ended December 31, 2013

RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	$	(2,893,062)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation		5,748,858
(Increase) decrease in assets:		
Accounts receivable		229,840
Prepaid expenses		(97,500)
Inventory		99,780
Increase in liabilities:		
Accounts payable		(264,018)
Accrued expenses		301,140
Customer water deposits		2,999
Post employment termination liabilities		(64,554)
Net cash flows from operating activities	$	3,063,483
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Loss in Central Valley Water Reclamation Facility equity	$	(1,306,714)
Contributed water and sewer lines	$	1,378,961

The accompanying notes are an integral part of the financial statements.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

1 SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

A. Reporting Entity

Granger-Hunter Improvement District (the District) is a municipal corporation governed by an elected three member board. As required by generally accepted accounting principles, these financial statements present all the District's activities. The District was established by resolution of the Board of County Commissioners of Salt Lake County in 1950. Salt Lake County has no oversight responsibility over the District and the District is not reported as a component unit of Salt Lake County. The District has no blended or discretely presented component units.

B. Measurement Focus and Basis of Accounting

The District is an enterprise fund, which is reported using the *economic resources measurement focus* and the *accrual basis of accounting.* An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services to the general public on a continuing basis are financed or recovered primarily through user charges. User charges are classified as operating revenues and revenues from other sources as non-operating revenues. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements.

C. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition.

D. Investments

Investments are reported at fair value as prescribed in GASB 31.

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

E. Restricted Cash and Cash Equivalents

Certain resources set aside for capital projects are classified as restricted on the statement of net position because their use is restricted by state law. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

F. Inventory

The District's inventory is comprised of water meters, replacement parts and supplies used in the construction and repair of water and sewer lines. The District values its inventory at the lower of cost or market using the first-in, first-out (FIFO) method.

G. Capital Assets

Capital assets are stated at cost and are defined by the District as assets with a cost of $5,000 or more. Normal maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. The net book value of property sold or otherwise disposed of, is removed from the property and accumulated depreciation accounts and the resulting gain or loss is included in income.

Capital assets donated to the District are recorded at the estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. No interest was capitalized during the current fiscal year.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

Sewer and Water Lines	10-60 years
Office Building	10-40 years
Furniture and Fixtures	2-10 years
Automobiles and Trucks	3-10 years
Tools and equipment	1-10 years

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

H. Joint Venture

The District accounts for its interest in a joint venture using the equity method of accounting.

I. Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. All full time employees may carry a maximum of 312 hours accrued vacation time from year to year, and will not be permitted to accrue more than the employee's regular earned vacation time plus three hundred twelve accrued vacation hours from the prior year. All vested vacation benefits shall be paid upon termination of employment by resignation or termination.

Unused sick leave may be carried over from one year to the next. Upon retirement, an employee may elect to apply unused sick leave in one of the following two ways:

1. Receive payment in cash equal to one hundred percent of the value of the employee's accrued and unused sick leave; or
2. Exchange twelve hours of unused sick leave for one month's coverage under the District's group health and dental plan. This benefit is available to the employee and the employee's spouse until they become eligible for Medicare benefits.

In the event of termination other than retirement, unused sick leave will be lost.

J. Allowance for Doubtful Accounts

Accounts receivable are stated net of an allowance for doubtful accounts of $51,760. The allowance for doubtful accounts is based on the District's prior collection experience. Uncollected fees are certified to the county and attached as liens on the related real estate where allowable.

K. Property Tax Revenues

Property taxes are levied on January 1st based on the assessed value of property as listed. Assessed values are an approximation of market value. An evaluation of all real property must be made every year by the county assessor. Property taxes are delinquent after November 30. The District's tax rate for 2013 was .000739. The district appropriates the entire amount to operations and maintenance. The statutory maximum set by the state for operations and maintenance is .000800. There is no statutory maximum for the reduction of general obligation bonds.

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

L. Budgetary Accounting

For management and control purposes, the District adopts and maintains a budget each year. Except for budgeting for certain capitalizable projects, the budget is maintained on an accrual basis. Items budgeted, but not expended, are not carried over to succeeding years. Each budget item must be reapproved in each budget year.

M. Use of Estimates in the Preparation of Financial Statements

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

N. Subsequent Events

Management of the District has evaluated subsequent events through May 12, 2014, which is also the date the financial statements were available to be issued. No subsequent events were noted during this evaluation that required recognition or disclosure in these financial statements.

2 DEPOSITS AND INVESTMENTS

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

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

2 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits

	Bank Balances	Book Balances
Cash on hand	$ -	$ 200
Cash on deposit	637,514	590,754
Total	$ 637,514	$ 590,954

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a formal deposit policy for custodial credit risk beyond the provisions of the Act. As of December 31, 2013, $246,316 of the District's deposit bank balances of $637,514 was uninsured and uncollateralized.

B. Investments

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

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury, including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

2 DEPOSITS AND INVESTMENTS (CONTINUED)

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act, Title 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses-net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. As of December 31, 2013, the District had $6,189,186 invested in PTIF. The PTIF is reported as a fiduciary fund by the State of Utah in its Comprehensive Annual Financial Report. A copy of the report may be obtained online at http://www.treasurer.state.ut.us/reports.html.

As of December 31, 2013, the District had the following investments and maturities:

Investment Type	Fair Value	Maturity less than one year	1-3 years	More than 3 years	Quality Ratings
State of Utah Public Treasurer's Investment Fund	$ 6,189,186	$ 6,189,186	$ -	$ -	Unrated
Sweep Account	2,538,136	2,538,136	-	-	Unrated
Money Market Funds	259,720	259,720	-	-	AAAm
Commercial Paper	999,683	999,683	-	-	A-1
U.S. Obligations and Agencies	7,772,509	-	3,602,350	4,170,159	AA+
Corporate Bonds	5,634,148	3,555,978	2,078,170	-	A- to A
Total	$ 23,393,382	$ 13,542,703	$ 5,680,520	$ 4,170,159	

2 DEPOSITS AND INVESTMENTS (CONTINUED)

A summary of unrestricted and restricted cash and cash equivalents and marketable securities is as follows:

Unrestricted cash and cash equivalents	$ 5,979,636
Restricted cash and cash equivalents	3,598,363
Marketable securities	14,406,337
	$ 23,984,336

Cash on hand	$ 200
Deposits (book balance)	590,754
Utah Public Treasurer's Investment Fund	6,189,186
Sweep account	2,538,136
Money market funds	259,720
Commercial paper	999,683
U.S. Obligations and Agencies	7,772,509
Corporate bonds	5,634,148
	$ 23,984,336

The fair value of the investments above equals the sum of investments, unrestricted and restricted cash and cash equivalents on the statement of net assets.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The district’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Title 51-7-11 of 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 on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

2 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. 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 national 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.

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk beyond the provisions of the Act. As of December 31, 2013, the District's sweep account balance was uninsured

3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions / Transfers In	Disposals / Transfers Out	Ending Balance
Capital assets not depreciated:				
Land	$ 2,853,406	$ -	$ -	$ 2,853,406
Construction in progress	8,453,319	7,400,158	(10,958,073)	4,895,404
Total capital assets not depreciated	11,306,725	7,400,158	(10,958,073)	7,748,810
Capital assets being depreciated:				
Buildings and improvements	7,211,903	71,182	-	7,283,085
Water System	66,979,258	3,457,487	-	70,436,745
Sewage pumping plant	13,035,102	7,930,067	-	20,965,169
Sewage collection lines	69,357,956	1,681,767	-	71,039,723
Transportation equipment	3,707,299	429,095	(271,098)	3,865,296
Engineering and other equipment	7,352,319	163,294	-	7,515,613
Furniture and fixtures	728,613	16,849	-	745,462
Total capital assets being depreciated	168,372,450	13,749,741	(271,098)	181,851,093
Less accumulated depreciation for:				
Buildings and improvements	(3,667,649)	(254,184)	-	(3,921,833)
Water System	(31,040,616)	(2,100,956)	-	(33,141,572)
Sewage pumping plant	(6,990,379)	(411,790)	-	(7,402,169)
Sewage collection lines	(33,842,158)	(2,294,096)	-	(36,136,254)
Transportation equipment	(3,008,383)	(244,828)	271,098	(2,982,113)
Engineering and other equipment	(5,085,655)	(371,173)	-	(5,456,828)
Furniture and fixtures	(562,317)	(71,831)	-	(634,148)
Total accumulated depreciation	(84,197,157)	(5,748,858)	271,098	(89,674,917)
Total capital assets being depreciated, net	84,175,293	8,000,883	-	92,176,176
Total capital assets, net	$ 95,482,018	$ 15,401,041	$ (10,958,073)	$ 99,924,986

4 UNREMITTED PROPERTY LIENS

There were no unremitted property liens as of December 31, 2013. All property liens had been remitted to the Salt Lake County Treasurer's office for attachment to the related real estate.

5 LONG-TERM DEBT

Changes in Long-Term Debt

Long Term Debt activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Maturities
Termination benefits payable	$ 1,546,021	$ -	$ (64,554)	$ 1,481,467	$ -
Water and Sewer Revenue Bonds, Series 2005	3,540,000	-	(660,000)	2,880,000	(680,000)
Water and Sewer Revenue Bonds, Series 2012	3,750,000	1,750,000	(242,000)	5,258,000	(248,000)
Less deferred amounts on refunding	(83,891)	-	(32,104)	(51,787)	-
Add bond premiums	12,876	-	4,927	7,949	-
Total long-term debt	$ 8,765,006	$ 1,750,000	$ (993,731)	$ 9,575,629	$ (928,000)

Total interest expense incurred on long-term debt for the year ended December 31, 2013 was $262,187, of which none was capitalized.

Revenue bonds consist of the following:

	Current	Long-Term	Total
Water and Sewer Revenue Refunding Bonds, Series 2005, due in semi-annual interest installments ranging from $14,250 to $68,472 and estimated annual principal installments ranging from $660,000 to $760,000, bearing interest between 3.25% and 4%, maturing in March 2017	$ 680,000	$ 2,200,000	$ 2,880,000

5 LONG-TERM DEBT (CONTINUED)

Water and Sewer Revenue Bonds, Series 2012, with the State of Utah Department of Environmental Quality only $5,500,000 of the approved $6,202,000 bond amount has been drawn through December 31, 2013, interest payable due in annual installments on March 1st, and estimated annual principal installments ranging from $242,000 to $389,000, bearing interest at 2.5%, maturing in March 2032	248,000	5,010,000	5,258,000
Total bonds payable	$ 928,000	$ 7,210,000	$ 8,138,000

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2014	$ 928,000	$ 228,394	$ 1,156,394
2015	960,000	194,494	1,154,494
2016	996,000	160,697	1,156,697
2017	1,028,000	126,600	1,154,600
2018	274,000	105,650	379,650
2019-2023	1,478,000	421,975	1,899,975
2024-2028	1,677,000	227,475	1,904,475
* 2029-2033	797,000	32,475	829,475
	$ 8,138,000	$ 1,497,760	$ 9,635,760

* Amounts yet to be drawn.

5 LONG-TERM DEBT (CONTINUED)

Advance Refunding

The government issued Water and Sewer Revenue Refunding Bonds, Series 2005, in February 2005. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by $551,439. This amount is being amortized over the remaining life of the new debt, which is shorter than the life of the refunded debt. The unamortized portion as of December 31, 2013 is $51,787.

The District issued Water and Sewer Revenue Bonds, Series 2012, in January 2012. The principal amount of the bond was $6,202,000 which is available to the District as improvements in the District occur. Prior to 2013, the District drew $3,750,000 on the bond. During 2013, the District drew $1,750,000 on the bond. As of December 31, 2013, $702,000 on the original bond issue was remaining to be drawn.

6 POST-EMPLOYMENT TERMINATION LIABILITIES

Postemployment Health Care Benefits-Termination Benefits

During 2007, the District began to accrue a post-employment liability for health care benefits to be provided to retired employees who have elected to convert unused sick leave to coverage under the District's group health and accident plan as discussed in Note 1. The liability is determined by multiplying the total number of months of coverage remaining for all retirees by the current insurance rates for medical and dental benefits. As of December 31, 2013 the remaining liability is $554,717, of which none is current.

Retirement Buyout

During 2007, the District also elected to begin accruing a liability for the potential purchase of future service credit from Utah Retirement Systems (URS) for qualified employees. To qualify for retirement buyout from URS an employee must have a minimum of 25 years of eligible service. The District will share in the cost of buyout from 50% to 80% based on an employee's age and years of service. A table found in the District's Personnel Rules and Regulations Manual specifies the District's share. The District has nine eligible employees as of December 31, 2013. Based on calculations obtained using URS's Service Purchase Estimate Calculator and the specified share from the table for each employee, the District has estimated the retirement buyout liability to be $926,750.

7 PENSION PLAN

District Plan **–** The District sponsors a defined contribution retirement benefit plan under Internal Revenue Code Section 401(k) covering substantially all of its employees. Employer contributions under this plan during 2013 were $518,625, which represents 12.7% of covered payroll amounting to $4,085,916. Employee contributions under this plan were $83,097 for 2013.

Utah State Retirement System **–** The District contributes to the Local Government Contributory Retirement System (the LGCRS) and the Local Government Noncontributory Retirement System (the LGNRS) which are cost sharing multiple employer defined benefit pension plan administered by the Utah Retirement Systems (URS). The URS provides retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The URS was established and is governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans (the Systems). Chapter 49 places the Systems, the office and related plans and programs under the direction of the Utah State Retirement Board (URS Board) whose members are appointed by the Governor. The URS Boars issues a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy - The District was required to contribute 14.050%, January 2013 through June 2013, and 13.990%, July 2013 through December 2013 of covered salary to the LCGRS and to contribute 16.040%, January 2013 through June 2013, and 17.290%, July 2013 through December 2013 of covered salary to the LGNRS. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District’s contributions to the LCGRS for the years ended December 31, 2013, 2012, and 2011, respectively, were $12,276, $4,063, and $0. The contributions were equal to the required contributions for each year. Covered salaries for the years ended December 31, 2013, 2012, and 2011, respectively, were $144,069, $47,947, and $0.

The District’s contributions to the LGNRS for the years ended December 31, 2013, 2012, and 2011, respectively, were $626,984, $572,564, and $504,685. The contributions were equal to the required contributions for each year. Covered salaries for the years ended December 31, 2013, 2012, and 2011, respectively, were $3,861,887, $3,864,172, and $3,718,259.

7 PENSION PLAN (CONTINUED)

Deferred Compensation Plan **–** The District also offers its employees a deferred compensation plan under Internal Revenue Code Section 457. The 457 Plan is also administered by the Utah Retirement Systems. Employer paid contributions for the years ended December 31, 2013, 2012, and 2011 were $8,623, $23,642, and $22,952, respectively.

Defined Contribution Plan **–** The District participates in a 401(k) plan provided by the UBS, which is a multiple-employer defined contribution plan. All employees of the District are eligible to participate in the plan. Employer contributions are board specified. The employer's paid contributions to the UBS 401(k) plan for the years ended December 31, 2013, 2012, and 2011 were $2,291, $804, and $0, respectively.

8 CENTRAL VALLEY WATER RECLAMATION FACILITY

During 1978, the District entered into a joint venture with four other special districts and two cities. The joint venture was organized to construct and operate a regional sewage treatment facility, for the benefit of the seven members. The seven members and their related ownership interest, as of December 31, 2013 are as follows:

	Original Facility	New Expansion	Enhancements	Digesters	Secondaries
Cottonwood Improvement District	19.569%	7.3215%	18.1191%	8.042%	7.1225%
Mt. Olympus Improvement District	25.622%	23.6177%	24.7780%	20.080%	22.6557%
Granger-Hunter Improvement District	**21.124%**	**25.4755%**	**20.2376%**	**25.050%**	**24.9005%**
Kearns Improvement District	5.978%	24.0002%	11.2654%	28.435%	25.7112%
Murray City	8.892%	6.8421%	8.0168%	6.280%	6.6882%
South Salt Lake City	6.120%	2.5074%	5.0980%	1.378%	2.5857%
Taylorsville-Bennion Improvement District	12.695%	10.2356%	12.4851%	10.735%	10.3362%
	100.000%	100.0000%	100.0000%	100.000%	100.0000%

The joint venture is administered by a joint administration board. Each member appoints one member to the board, and voting power is not related to ownership. Therefore, each member is equal to another for voting privileges. The joint venture is responsible for adopting a budget and financing its operations, subject to the approval by each of the seven members.

8 CENTRAL VALLEY WATER RECLAMATION FACILITY (CONTINUED)

The District accounts for its investment in Central Valley Water Reclamation Facility (Central Valley) using the equity method of accounting. Summarized financial information of Central Valley as of December 31, 2013 and for the year then ended is as follows:

Total assets	$ 101,095,139
Total net position	$ 88,274,844
Operating revenue	$ 11,603,236
Change in net position	$ (3,374,863)
The District's interest in:	
Equity	$ 19,586,571
Net loss	$ 1,306,714

The District has recorded in prior years its previous proportionate share (21.124%) of the government grants received by Central Valley as an addition to the District's investments in Central Valley and to the District's contributions in aid of construction. All expenses (except depreciation) incurred by Central Valley are billed to its members. Accordingly, the District's equity in net losses of Central Valley annually is billed to the District. The District's equity in net losses of Central Valley annually approximates its share of Central Valley's depreciation expense. Audited statements are available at Central Valley Water Reclamation Facility, 800 West Central Valley Road, Salt Lake City, Utah 84119.

The District incurred the following costs from the joint venture for the year ended December 31, 2013:

Administration	$ 312,700
Operations and maintenance	2,414,847
TOTAL	$ 2,727,547

The District owed a balance of $269,632 to Central Valley as of December 31, 2013 for wastewater treatment. This amount is included in accounts payable in the statement of net position.

9 COMMITMENTS AND CONTINGENCIES

An agreement has been made with Jordan Valley Water Conservancy District, which provides, in general, that the District will purchase a minimum amount of water each year from the Conservancy District (18,500 acre feet in 2013). During 2013, the District purchased approximately 19,882 acre feet of water, which cost $8,579,801.

9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

During the year, the District entered into contracts for construction of water and sewer facilities. As of December 31, 2013, there was approximately $2,402,235 outstanding on these contracts.

The District's 2012 and 2005 series bonds, respectively, require net revenue of 125% of the current bond principal payments. The District met the net revenue requirements for the year ended December 31, 2013.

SUPPLEMENTARY INFORMATION

GRANGER-HUNTER IMPROVEMENT DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended December 31, 2013

Description	Budget	Actual	Variance
REVENUES:			
Metered water sales	$ 14,500,000	$ 14,275,795	$ (224,205)
Sewer service charges	9,350,000	9,265,740	(84,260)
Interest income	300,000	327,287	27,287
Property taxes	3,930,000	3,783,374	(146,626)
Engineering	8,500	5,300	(3,200)
Impact fees	800,000	1,664,273	864,273
Connection and turn-off fees	75,000	76,740	1,740
Inspection	75,000	103,698	28,698
Other income	115,000	206,381	91,381
	29,153,500	29,708,588	555,088
EXPENSES:			
Salaries and wages	4,342,980	4,085,916	257,064
Employee benefits	2,554,115	2,507,081	47,034
Materials and supplies	660,113	671,706	(11,593)
Postage and mailing	176,000	161,829	14,171
Water purchased	8,250,000	8,579,801	(329,801)
Computer system	114,400	113,472	928
Building maintenance	83,650	85,433	(1,783)
Water quality expense	96,700	44,049	52,651
Bank expenses	148,150	170,834	(22,684)
Gas and diesel	332,500	336,437	(3,937)
Insurance	328,350	259,359	68,991
Utilities	909,300	993,447	(84,147)
Telephone	61,100	57,554	3,546
Professional fees	231,115	54,551	176,564
Seminars and training	99,250	80,071	19,179
Interest expense	248,744	262,187	(13,443)
Central Valley expenses	3,648,672	2,727,547	921,125
Equipment and tools purchases	486,500	552,985	(66,485)
Infrastructure purchases	8,093,910	8,203,626	(109,716)
Contingency	180,000	11,982	168,018
Safety expense	33,900	33,127	773
Miscellaneous	84,610	81,660	2,950
	31,164,059	30,074,654	1,089,405
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ (2,010,559)	$ (366,066)	$ 1,644,493

RECONCILIATION OF EXCESS (DEICIENCY) OF REVENUES OVER EXPENSES TO CHANGE IN NET ASSETS	$ (366,066)
Capital contributions	1,378,961
Depreciation and amortization expense	(5,748,858)
Change in unrealized loss on investments	(82,939)
Equity in net loss of Central Valley	(1,306,714)
Capitalized equipment and tools purchases	609,239
Capitalized capital projects and infrastructure purchases	8,203,626
CHANGE IN NET ASSETS	$ 2,687,249

www.WSRP.com
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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*

Board of Trustees
Granger-Hunter Improvement District

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 basic financial statements of the Granger-Hunter Improvement District, which comprise the statement of net position as of December 31, 2013 and the statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Granger-Hunter Improvement District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Granger-Hunter Improvement District's internal control. Accordingly, we do not express an opinion on the effectiveness of Granger-Hunter Improvement District'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 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (13-1).

WISAN, SMITH, RACKER & PRESCOTT, LLP

SALT LAKE ~ 155 North 400 West, Suite 400 · Salt Lake City, Utah · 84103 · 801.328.2011 (office) · 801.328.2015 (fax)
LAS VEGAS ~ 1820 East Warm Springs Road, Suite 112 · Las Vegas, Nevada · 89119 · 702.451.3099 (office) · 702.568.5030 (fax)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Granger-Hunter Improvement District'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*.

Granger-Hunter Improvement District's Response to Findings

Granger-Hunter Improvement District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Granger-Hunter Improvement District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This 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 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.

Wisan, Smith, Racker & Prescott, LLP

Salt Lake City, Utah
May 12, 2014

wsrp

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2013

SIGNIFICANT DEFICIENCY

13-1 Reconcile Accounts to Supporting Documents

In performing fieldwork as part of this year's audit, we noted various general ledger accounts that were not reconciled to supporting documentation. We spent extra time helping management research the differences between the general ledger and source documents. The accounts where extra time was spent was on various cash, accrued liability and bond payable accounts.

In order to make the financial reports generated by the accounting system as meaningful as possible, the District should reconcile the general ledger accounts for cash, accounts receivable, and accounts payable to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors. Bank statements in some instances were accumulated for several months before they were reconciled to the appropriate general ledger controls. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind. We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements.

Other account balances, such as loan balances, accrued liabilities, etc., should also be adjusted to the correct balances on a monthly basis. These reconciliations and adjustments will ensure meaningful and accurate financial statements. The financial statements can then be used to help in the management decision-making process and for more accurate comparisons between actual operations and budget.

Management's response

Management is aware of the need to reconcile bank accounts and other asset and liability accounts on a monthly basis. We agree with the finding of the auditor and have taken steps to ensure a monthly reconciliation is performed on these accounts. Additional steps will be taken at year-end to ensure that general ledger account balances agree to supporting documentation.

www.WSRP.com
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE *STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE*

Board of Trustees
Granger-Hunter Improvement District

REPORT ON COMPLIANCE

We have audited Granger-Hunter Improvement District's (the District) compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended December 31, 2013.

The general compliance requirements applicable to the District are identified as follows:

Cash Management	Government Records Access Management Act
Budgetary Compliance	Conflicts of Interest
Nepotism	Open and Public Meetings Act
Utah Public Finance Website	Special and Local Service District Board Members
Impact Fees	URS Compliance

The District did not receive any major State grants during the year ended December 31, 2013.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit I accordance with auditing standard 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 of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in these circumstances. We believe that our audit provides as reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2013.

WISAN, SMITH, RACKER & PRESCOTT, LLP

SALT LAKE ~ 155 North 400 West, Suite 400 · Salt Lake City, Utah · 84103 · 801.328.2011 (office) · 801.328.2015 (fax)
LAS VEGAS ~ 1820 East Warm Springs Road, Suite 112 · Las Vegas, Nevada · 89119 · 702.451.3099 (office) · 702.568.5030 (fax)

Licensed to Practice in Utah, Wyoming, Nevada, New Mexico and Idaho.
Member: American Institute, Utah Association and Nevada Society of Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the District’s internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 District’s internal control over compliance.

A *deficiency in internal control over compliance* 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, noncompliance 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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 identity all deficiencies in internal controls that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of 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 and 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.

Wilson, Smith, Backner + Prescott, LLP

Salt Lake City, Utah
May 12, 2014

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF STATE GRANTS, CONTRACTS, AND LOAN FUNDS
December 31, 2013

Grant Name	Award/Contract # (if applicable)	Year of Last Audit		Expenditures
State of Utah Department of Environmental Quality				
Water and Sewer Revenue Bonds Series 2012	#000193	2013	$	485,514
Water and Sewer Revenue Bonds Series 2012	#000193	2013		309,432
Water and Sewer Revenue Bonds Series 2012	#000193	2013		149,684
Water and Sewer Revenue Bonds Series 2012	#000193	2013		139,874
Water and Sewer Revenue Bonds Series 2012	#000193	2013		235,938
Water and Sewer Revenue Bonds Series 2012	#000193	2013		540
Water and Sewer Revenue Bonds Series 2012	#000193	2013		66,545
Water and Sewer Revenue Bonds Series 2012	#000193	2013		37,259
Water and Sewer Revenue Bonds Series 2012	#000193	2013		365,077
Subtotal - State of Utah Department of Environmental Quality			$	1,789,863
TOTAL GRANT, CONTRACT, AND LOAN FUND EXPENDITURES			$	1,789,863

The accompanying schedule of expenditures of state grants, contracts, and loan funds includes the state grant, contracts, and loan fund activity of the District for the year ended December 31, 2013 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with requirements of the State of Utah *State Legal Compliance Audit Guide*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the District.