GRANGER-HUNTER IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2015

GRANGER-HUNTER IMPROVEMENT DISTRICT
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Keddington & Christensen, LLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Granger-Hunter Improvement District

Report on the Financial Statements

We have audited the accompanying financial statements of the Granger-Hunter Improvement District (the District), as of and for the year ended December 31, 2015, 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 Responsibility 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 errors.

Auditor's Responsibility

Our responsibility is to express opinions 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 from 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 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 District'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 opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Granger-Hunter Improvement District as of December 31, 2015, and the respective change in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as noted in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audit evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budget to actual comparison is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated May 6, 2016 on our consideration of the District's internal control over financial reporting and on our tests of compliance with certain provisions of laws and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Keddington & Christensen

Keddington & Christensen, LLC
Salt Lake City, Utah
May 6, 2016

GRANGER-HUNTER IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

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, 2015. 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 $135,610,737 (net position). Of this amount, $39,130,137 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by $1,127,411 after realizing the effect of a prior period adjustment necessitated by a change in governmental accounting standards related to pension accounting. The increase is the result of developer-contributed water and sewer lines, as day-to-day operations actually reduced the overall net position in this particular year.
- The District's operating revenues increased by $190,727 (.77%) in comparison with the prior year operating revenues. Due to a very wet spring, water and wastewater revenues increased only a very slight amount. The majority of the increase in operating revenues resulted from the sale of unused equipment and system components.
- The District's total long-term debt decreased by $398,957 during the current fiscal year, as represented in Note 4 to the financial statements. Although the District received a final draw of $702,000 from its 2012 revenue bonds, this increase in debt was more than offset by the annual bond payment on all bonds.

Budgetary Highlights

During the year there were no amendments to the original budget of the District. Total revenues were somewhat better than budget (by $454,876), and total expenditures were held significantly below budget (by $2,222,628). Therefore the District's net position did not deteriorate from the prior year. The following analysis is offered as explanation of variances from budget that were greater than $200,000.

- Metered water sales were budgeted at $15,250,000, while actual revenues were $14,907,556, or $342,444 under budget. This was due to the extremely wet spring weather. While the summer was hot and dry, it was not enough to offset the decreased water sales of the early part of 2015.
- Sewer service charges, budgeted at $9,350,000, were actually $9,765,800, or $415,800 over budget due primarily to modest growth within the District. Since sewer charges are primarily a fixed charge, the wet weather of spring did not have the adverse effects seen in water sales.
- Salaries and wages were budgeted at $4,750,422, but actual expenditures were $4,428,128, a difference of $322,294 under budget. The difference is largely the result of fewer overtime hours due to our aggressive maintenance program reducing breaks and leaks and the related after-hours repairs. We also experienced some turnover, and replacement hires started at a lower rate, reducing overall wages.

- Employee benefits were budgeted at $2,833,000, and actual expenditures were $2,422,566, or $410,434 less than budgeted. This is the result of the above noted reduction in salaries and wages. Since wages were lower than budgeted, the related benefits thereon (taxes, retirement contributions, and so forth) were also lower.
- Central Valley Expense, for processing of wastewater, was budgeted at $3,823,276 while actual was $3,189,672, or $633,604 under budget. The District participates with six other entities in funding the operations of the Central Valley Water Reclamation Facility (CVW). Each entity pays a proportionate share of the CVW operating and capital expenditures. Budgeted capital outlays, primarily for nutrient removal ($642,584), were delayed, thereby avoiding that expense in the current year. This was partially offset by a small over budget situation in the pretreatment expense, resulting in the final net under budget amount of $633,604.
- Equipment and Tools purchases were budgeted at $293,160, while actual outlays were only $35,137, a difference of $258,023 under budget. This is due to the majority of the budgeted items being capitalized and therefore reclassified into the capital categories of outlays. We budget on a sources and uses basis in order to be certain we will have the funds needed for the purchases. However, the items are then capitalized if they meet the requirements for such treatment.
- Infrastructure purchases were budgeted at $12,693,220, but only $4,822,554 was spent, an under budget amount of $7,870,666. This situation was caused largely by project delays in partner governments (such as the Mountain View Corridor and other projects where timing and approvals are primarily dependent on the State). There were also a few large projects where weather delays or other challenges pushed all or part of the project into the next year (eg. Well #17, Well #8 rehab and site work, Well #16 pump to waste/drain).

Overview of the Financial Statements

The District’s financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States as 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 the notes 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.

	2015	2014	2013
Current and other assets	$ 49,110,795	$ 47,687,977	$ 47,039,936
Capital assets, net	98,917,281	99,259,754	99,924,986
Total Assets	148,028,076	146,947,731	146,964,922
Deferred outflows of resources	808,573	733,983	51,787
Current liabilities	3,818,661	3,149,366	3,349,087
Long-term liabilities	9,164,388	10,049,022	8,699,416
Total Liabilities	12,983,049	13,198,388	12,048,503
Deferered inflows of resources	242,863	-	-
Net investment in capital assets	91,945,281	90,599,938	91,830,824
Restricted	4,535,319	3,889,236	3,598,363
Unrestricted	39,130,137	39,994,152	39,539,019
Total Net Position	$ 135,610,737	$ 134,483,326	$ 134,968,206

The statement of net position includes all of the District's assets, liabilities, and net position which are categorized as investment in capital assets, restricted, or unrestricted. As can be seen from the schedule above, net position increased by $1,127,411 at the end of the current year, an increase of just under 1% of prior year's total net position. The largest portion of the District's net position, $91,945,281 (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, $4,535,319 (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.

	2015	2014	2013
Operating revenues	$ 25,026,191	$ 24,835,464	$ 23,855,398
Operating expenses	(28,976,771)	(27,648,895)	(26,748,460)
Operating income (loss)	(3,950,580)	(2,813,431)	(2,893,062)
Non-operating revenues, net	5,492,185	4,915,245	4,463,537
Non-operating expenses	(1,793,877)	(1,547,889)	(262,187)
Change in net position before capital contributions	(252,272)	553,925	1,308,288
Capital contributions	1,379,683	606,418	1,378,961
Change in net position	1,127,411	1,160,343	2,687,249
Total Net Position:			
Net position at beginning of year	134,483,326	134,968,206	132,280,957
Adjustments to net position	-	(1,645,223)	-
Total Net Position, End of Year	$ 135,610,737	$ 134,483,326	$ 134,968,206

Capital Asset Activity

The District's investment in capital assets as of December 31, 2015, amounts to $98,917,281 (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 decreased by .34% percent overall.

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

- Construction of new and replacement water lines in multiple locations.
- Relocation of a water tank.
- Replacement of old meters with new units which will facilitate remote reading and eventual real-time monitoring.
- Replacement of Pressure Reducing Valve (PRV) stations.
- Sewer main lining project.
- Water and sewer lines contributed to the District by developers.

	2015	2014	2013
Land	$ 2,921,736	$ 2,921,736	$ 2,853,406
Buildings and improvement	4,180,074	4,489,708	3,361,252
Water system	39,854,225	40,332,992	37,295,173
Sewage pumping plant	12,329,210	12,905,181	13,563,000
Sewage collection lines	32,297,165	33,497,094	34,903,469
Transportation equipment	695,823	746,233	883,183
Engineering and other equipment and tools	1,916,563	1,971,147	2,058,785
Office funiture and equipment	52,235	76,803	111,314
Construction in progress	4,670,250	2,318,860	4,895,404
	$ 98,917,281	$ 99,259,754	$ 99,924,986

Debt Administration

At the end of the current fiscal year, the District had total long-term debt of $8,288,431, including the effects of deferred refunding and unamortized premiums. The debt represents bonds secured solely by specified revenue sources and post-employment liabilities. The District's outstanding bond debt decreased by $288,000 (not including the effects of refunding and premiums). The liability for termination benefits also decreased by $110,957. Total long-term debt decreased by $398,957, from $8,687,388 at December 31, 2014 to $8,288,431 at December 31, 2015. The District has no outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 4.

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 84119 or by telephone (801) 968-3551.

BASIC FINANCIAL STATEMENTS

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2015

Assets		
Current Assets:		
Unrestricted Cash and cash equivalents	$	6,748,562
Marketable Securities		16,238,815
Receivables:		
Property taxes		78,711
Accounts receivable, net		2,182,677
Inventory		681,039
Restricted cash and cash equivalents		520,083
Restricted marketable securities		4,015,236
Total Current Assets		30,465,123
Non-current Assets:		
Capital Assets - net of depreciation		98,917,281
Net pension asset		1,586
Total Non-current Assets		98,918,867
Other Assets:		
Investment in Central Valley Water Reclamation Facility		18,644,086
Total Other Assets		18,644,086
Total Assets	$	148,028,076
Deferred Outflows of Resources		
Deferred loss on early retirement of debt		18,411
Deferred outflows relating to pensions		790,162
Total Deferred Outflows of Resources		808,573
Total Assets and Deferred Outflows of Resources	$	148,836,649

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION (Continued)
December 31, 2015

Liabilities		
Current Liabilities:		
Accounts payable	$	1,775,406
Accrued liabilities		890,457
Accrued interest		114,528
Customer water deposits		22,270
Long-term debt due within one year		1,016,000
Total Current Liabilities		3,818,661
Non-Current Liabilities:		
Long-term debt due in more than one year		5,956,000
Post employment termination liabilities		1,316,431
Net pension liability		1,891,957
Total Non-Current Liabilities		9,164,388
Deferred Inflows of Resources		
Deferred inflows relating to pensions		242,863
Total Liabilities and Deferred Inflows of Resources		13,225,912
Net Position		
Net investment in capital assets		91,945,281
Restricted for capital projects		4,535,319
Unrestricted		39,130,137
Total Net Position		135,610,737
Total Liabilities, Deferred Inflows of Resources, and Net Position	$	148,836,649

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For The Year Ended December 31, 2015

Operating Revenues	
Metered water sales	$ 14,907,556
Sewer service charges	9,765,800
Other	352,835
Total Operating Revenues	25,026,191
Operating Expenses	
Direct operation and maintenance	14,060,339
General and administrative	8,371,721
Depreciation	6,544,711
Total Operating Expenses	28,976,771
Operating Income (Loss)	(3,950,580)
Non-Operating Revenues (Expenses)	
Property tax revenue	3,987,816
Impact fees	996,557
Interest income	400,064
Interest expense	(195,333)
Donation to other governmental entities	(234,565)
Gain (loss) on disposal of assets	107,748
Unrealized loss on marketable securities	(33,246)
Equity in net loss of Central Valley Water Reclamation Facility	(1,330,733)
Total Non-Operating Revenues (Expenses)	3,698,308
Change In Net Position Before Contributed Capital	(252,272)
Contributed Capital	1,379,683
Change In Net Position	1,127,411
Net Position at Beginning of Year, as restated	134,483,326
Net Position at End of Year	$ 135,610,737

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2015

Cash Flows From Operating Activities	
Receipts from customers and users	$ 25,653,451
Payments to suppliers	(16,390,143)
Payments to employees	(5,467,110)
Net Cash From Operating Activities	3,796,198
Cash Flows From Noncapital Financing Activities	
Property tax receipts	3,734,058
Payments on long-term pension obligation	(302,151)
Net Cash From Noncapital Financing Activities	3,431,907
Cash Flows From Capital and Related Financing Activities	
Impact fees received	996,557
Purchase of property and equipment	(4,822,555)
Proceeds from issuance of bonds	702,000
Proceeds from sale of property and equipment	107,748
Principal paid on bonds	(990,000)
Interest paid on bonds	(176,019)
Net Cash From Capital and Related Financing Activities	(4,182,269)
Cash Flows From Investing Activity	
Cash from sale of investments	43,546,046
Cash paid for purchase of investments	(46,428,023)
Cash paid for investment in Central Valley Water Reclamation Facility	(846,948)
Interest income	400,064
Net Cash From Investing Activity	(3,328,861)
Net Increase (Decrease) in Cash and Cash Equivalents	(283,025)
Cash and Cash Equivalents, Beginning of Year	7,551,670
Cash and Cash Equivalents, End of Year	$ 7,268,645

Cash and Cash Equivalents recorded in the Statement of Net Position	
Unrestricted	$ 6,748,562
Restricted	520,083
	$ 7,268,645

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS (Continued)
For The Year Ended December 31, 2015

Reconciliation of Operating Loss to Net Cash From Operating Activities:

Operating Loss	$ (3,950,580)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation expense	6,544,711
(Increase) Decrease in assets	
Receivables	
Accounts receivable, net	630,585
Inventory	49,297
Increase (Decrease) in liabilities	
Accounts payable	610,133
Accrued liabilities	26,334
Customer water deposits	(3,325)
Post employment termination liabilities	(110,957)
Net Cash From Operating Activities	$ 3,796,198

Noncash Investing, Capital, and Financing Activities

Loss in Central Valley Water Reclamation Facility equity	$ 1,330,733
Contributed capital sewer lines received valued at	$ 1,379,683
Deferred charges were amortized in the amount of	$ 9,161

The accompanying notes are an integral part of this statement.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

Granger-Hunter Improvement District (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. The District is not a component unit of another government as defined by Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus*, since the District is a special district governed by a Board of Trustees which are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB Statement 39, *Determining Whether Certain Organizations Are Component Units,* which are included in the District's reporting entity.

Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. Financial reporting is based upon accounting guidance codified by GASB.

The following is a summary of the more significant policies.

Financial Statement Presentation and Basis of Accounting

The District prepares its financial statements on an enterprise fund, which is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private businesses, where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Revenues from operations, investments, and other sources are recorded when earned and expenses are recorded when liabilities are incurred. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property tax revenue and contributed sewer lines.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers of the system. Operating expenses for the District include the costs of treatment, personnel, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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

Restricted Assets
The District maintains accounts which are restricted by state law for use in capital projects. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Inventories
The District's inventories include various items consisting of water meters, replacement parts, and other maintenance related equipment and supplies used in the construction and repair of water and sewer systems. Inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method. Inventory items are expensed as used.

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 repair expenses that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. 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 as non-operating revenues or expenses.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital 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 property and equipment was 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	5-10 years
Automobiles and Trucks	5-10 years
Tools and Equipment	5-10 years

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Contributed Capital

The District receives title to various water and sewer lines that have been constructed by developers after the District certifies that these lines meet all the required specifications. The District records sewer lines at the estimated fair market value at the date of donation, provided by the District's engineers, which are then depreciated under the methods and lives set forth above.

Joint Venture

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

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.

Property Tax Revenues

Property tax rates are approved in June of each year by the Board of Trustees for the District. County Assessors assess a value (an approximation of market value) as of January 1 of each year for all real property, to which the property tax rates will apply for assessing property taxes. The property taxes assessed become delinquent after November 30. The District's certified tax rate in Salt Lake County for 2015 was .000658 for operations and maintenance. The District appropriates the entire amount to operations and maintenance. The statutory maximum set by the State for operations and maintenance is .000800.

Budgetary Accounting

The District adopts an annual budget, which is maintained on an accrual basis except for certain capitalizable projects. All annual appropriations lapse at fiscal year-end.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Allowance for Doubtful Accounts
Accounts receivable are stated net of allowance for doubtful accounts of $50,000. 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.

Cash Bonds from Developers
The District requires developers to post a bond of 110% of the cost of the project. After the District accepts the completed project, the District releases all of the bonds except 10%. The remaining 10% of the posted bond is not released until the warranty period required by the District is met. The District records the total cost of each completed project after it has been satisfactorily completed and accepted. Warranty work done during the warranty period will be performed by the developer or collected from the bond posted by the developer.

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

NOTE 2 DEPOSITS AND INVESTMENTS

The District's deposit and investment policy is to follow the Utah Money Management Act. The District does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the District is exposed.

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and investment transactions. This law 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.

Deposits
Cash includes amounts in demand deposits including the portion of the Utah State Treasurer's investment pool that is considered as a demand deposit.

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

	Bank Balances	Book Balances
Cash on deposit	7,325,984	7,268,645
Total Cash and equivalents	$ 7,325,984	$ 7,268,645

Custodial credit risk – deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2015, $6,555,901 of the District's deposit bank balances of $7,325,984 was uninsured and uncollateralized.

Investments
The Money Management Act also governs the scope of securities allowed as appropriate investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

The District's investments are exposed to certain risks as outlined below:

Custodial credit risk – investments is the risk that in the event of the failure of a counterparty, the District will not be able to recover the value of its investments 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, 2015, the District's sweep account balance was uninsured.

Interest rate risk is the risk that changes in the 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. The fair value of the District's investment in the Utah Public Treasurer's Investment Fund (PTIF) is $4,326,455 with a carrying value of $4,313,426.

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 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 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.

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

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.

The District invests in certain investments which exceed 5% of the total investments as of December 31, 2015 as noted below:

Issuer	Amount	Percentage
Bank of America Corp	1,218,419	6.4%
Goldman Sachs	1,109,480	5.8%
JP Morgan Chase & Co	952,884	5.0%

The District invests in the PTIF, which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer's Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company, and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days.

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 costs basis. The income, gains, losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participants' share to the total funds in the PTIF based on the participants' average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available from the Utah State Treasurer's Office. As of December 31, 2015, the Utah Public Treasurer's Investment Fund was unrated.

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

The following is a summary of the District's cash and investments as of December 31, 2015:

	Carrying Value	Fair Value Factor	Fair Value	Credit Rating (1)	Weighted Ave. Maturity (Years) (2)
Cash on hand and on deposit:					
Cash on deposit	2,435,136	1	2,435,136	N/A	N/A
Bond Reserves	520,083	1	520,083	N/A	N/A
Utah State Treasurer's investment			-		
pool accounts	4,313,426	1.0030207	4,326,455	N/A	N/A
Total cash on hand and deposit	$ 7,268,645		$ 7,281,674		
Investments					
Corporate Notes	$ 5,912,853	1	5,912,853	A - A-	0.97
Governmental Notes	14,341,198	1	14,341,198	AAA	3.31
Total Investments	$ 20,254,051		$ 20,254,051		
Portfolio weighted average maturity					2.63

The following is a summary of the District's cash and investments as of December 31, 2015:

	Carrying Amount
As reported on the Statement of net position:	
Unrestricted cash and cash equivalents	$ 6,748,562
Restricted cash and cash equivalents	520,083
Marketable securities	16,238,815
Restricted marketable securities	4,015,236
Total Cash and Investments	$ 27,522,696
Components of Cash and investments:	
Bond Reserves	$ 520,083
Utah Public Treasurers Fund	4,313,426
Sweep account	2,435,136
U.S. obligations and agencies	14,341,198
Corporate bonds	5,912,853
Total Cash and Investments	$ 27,522,696

NOTE 3 CAPITAL ASSETS

The following summarizes the District's capital assets for the year ended December 31, 2015:

	Beginning Balance	Additions / Transfers in	Deletions / Transfers Out	Ending Balance
Capital assets not being depreciated				
Land and water rights	$ 2,921,736	$ -	$ -	$ 2,921,736
Construction in progress	2,318,860	4,320,862	(1,969,472)	4,670,250
Total Capital Assets not being depreciated	5,240,596	4,320,862	(1,969,472)	7,591,986
Capital assets, being depreciated				
Buildings and improvements	8,694,289	-	-	8,694,289
Water System	75,935,734	2,137,052	(30,000)	78,042,786
Sewage pumping plant	20,970,711	55,149	-	21,025,860
Sewage collection lines	71,964,635	1,153,334	(13,914)	73,104,055
Transportation equipment	3,912,214	202,286	(282,348)	3,832,152
Engineering and other equipment	7,366,152	297,201	(1,820,945)	5,842,408
Furniture and fixtures	641,811	5,825	-	647,636
Total Capital Assets, being depreciated	189,485,546	3,850,847	(2,147,207)	191,189,186
Less accumulated depreciation				
Buildings and improvements	(4,204,581)	(309,634)		(4,514,215)
Water System	(35,602,742)	(2,615,819)	30,000	(38,188,561)
Sewage pumping plant	(8,065,530)	(631,120)	-	(8,696,650)
Sewage collection lines	(38,467,540)	(2,353,264)	13,914	(40,806,890)
Transportation equipment	(3,165,981)	(252,696)	282,348	(3,136,329)
Engineering and other equipment	(5,395,005)	(351,785)	1,820,945	(3,925,845)
Furniture and fixtures	(565,008)	(30,393)	-	(595,401)
Total accumulated depreciation	(95,466,387)	(6,544,711)	2,147,207	(99,863,891)
Capital Assets, being depreciated, net	94,019,159	(2,693,864)	-	91,325,295
Property and Equipment, Net	$ 99,259,755	$ 1,626,998	$ (1,969,472)	$ 98,917,281

Depreciation expense of $6,544,711 was charged to Operations/Administrative/Office expense for the year ended December 31, 2015.

NOTE 4 LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-Term Debt					
Revenue Bonds					
2005 Revenue bonds	$ 705,000	$ -	$ (705,000)	$ -	$ -
2012 Revenue bonds	5,010,000	702,000	(255,000)	5,457,000	261,000
2014 Revenue bonds	1,545,000	-	(30,000)	1,515,000	755,000
Plus unamortized premiums	-	-	-	-	-
Total Revenue Bonds	7,260,000	702,000	(990,000)	6,972,000	1,016,000
Termination benefits payable	1,427,388	-	(110,957)	1,316,431	-
Total Long-Term Debt	$ 8,687,388	$ 702,000	$ (1,100,957)	$ 8,288,431	$ 1,016,000
Deferred Outflows of Resources					
Deferred loss on early retirement of debt	$ (27,572)	$ -	$ 9,161	$ (18,411)	$ -

Total interest expense incurred on long-term debt for the year ended December 31, 2015 was $195,333 of which none was capitalized.

Revenue bonds consist of the following:

	2015
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 3.5% and 4%, maturing in March 2017. These bonds were defeased during 2014 and then fully redeemed during 2015.	$ -
Water and Sewer Revenue Refunding Bonds, Series 2012, with the State of Utah Department of Environmental Quality, the total of the approved $6,202,000 bond amount has been drawn through December 31, 2015, interest payable due in annual installments on March 1st, and estimated annual principal installments ranging from $261,000 to $389,000, bearing interest at 2.5%, maturing in March 2032.	5,457,000
Water and Sewer Revenue Refunding Bonds, Series 2014, due in semi-annual interest installments ranging from $3,420 to $9,860 and annual principal installments ranging from $755,000 to $760,000, bearing interest between .80% and .90%, maturing in March 2017.	1,515,000
Total revenue bonds	$ 6,972,000

NOTE 4 LONG-TERM DEBT (Continued)

The following summarizes the District's revenue bonds debt service requirements as of December 31, 2015.

Year ending December 31,	Principal	Interest	Total
2016	$ 1,016,000	$ 146,285	$ 1,162,285
2017	1,028,000	133,320	1,161,320
2018	274,000	123,200	397,200
2019	281,000	116,350	397,350
2020	288,000	109,325	397,325
2021-2025	1,555,000	434,875	1,989,875
2026-2030	1,762,000	230,325	1,992,325
2030-2035	768,000	28,925	796,925
	6,972,000	$ 1,322,605	$ 8,294,605
Less deferred amounts on refunding	(18,411)		
Total	$ 6,953,589		

Advance Refunding

The District issued Water and Sewer Revenue Refunding Bonds, series 2005, in February 2005. The proceeds of the Water and Sewer Revenue Refunding Bonds, series 2005, have been used to refund the Water and Sewer Revenue Refunding Bonds, series 1998. As a December 31, 2015, the defeased balance of the series 1998 bonds, have been fully redeemed. The reacquisition price exceeded the net carrying amount of the old debt by $551,439. This amount was amortized over the remaining life of the new debt (series 2005), which is shorter than the life of the refunded debt (series 1998) until the series 2005 was refunded during 2014, at which time the remaining balance was written off. As of December 31, 2015 the Water and Sewer Revenue Refunding Bonds, series 2005, have been refunded and the balance at December 31, 2014 of $705,000 has been paid. In addition, the defeased balance at December 31, 2014 has been fully redeemed as of December 31, 2015.

The District issued Water and Sewer Revenue Refunding Bonds, series 2014, in December 2014. The proceeds of the Water and Sewer Revenue Refunding Bonds, series 2014, have been used to refund the Water and Sewer Revenue Refunding Bonds, series 2005. The reacquisition price exceeded the net carrying amount of the old debt (series 2005) by $27,572. This amount is being amortized over the remaining life of the new debt (series 2014), which is shorter than the life of the refunded debt. The unamortized portion at December 31, 2015 was $18,411.

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 are needed. Prior to 2014, the District drew $5,500,000 on the bond. During 2015, the District drew $702,000 on the bond. As of December 31, 2015, the original bond amount available was drawn in total.

NOTE 5 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, 2015 the remaining liability is $419,649, 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 the 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 8 eligible employees as of December 31, 2015. 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 $896,782.

NOTE 6 RETIREMENT AND BENEFIT PLANS

Utah Retirement Systems Pension Plan

The Guide to Implementation of GASB Statement 68 on Accounting and Financial Reporting for Pensions issued by GASB states that an employer "may determine its reported pension liability to be as of a date no earlier than the end of its prior fiscal year". To avoid delaying the reporting of the District's financial statements as of and for the year ended December 31, 2015, the District is using the information as of the URS Plan year-end 2014 in the District's December 31, 2015 financial statements, rolled forward for the effects of contributions made during the year in accordance with GASB 68 Accounting and Financial Reporting for Pensions. Therefore, the information in this footnote and in the Required Supplementary Information that follows is as of the URS plan year-end of December 31, 2014.

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

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

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

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102 or by visiting the website: www.urs.org.

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System as of December 31, 2015.

System	Final Average Salary	Years of Service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age * 20 years age 60 * 10 years age 62 * 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62 * 4 years age 65	1.5% per year all years	Up to 2.5%

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

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

Utah Retirement Systems	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Contributory System			
111- Local Governmental Division Tier 2	N/A	N/A	14.910%
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	N/A	18.470%

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

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

At December 31, 2014, we reported a net pension asset of $1,586 and a net pension liability of $1,891,957.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.4357104%	$ -	$ 1,891,957
Tier 2 Public Employees System	0.0523450%	1,586	-
Total Net Pension Asset / Liability		$ 1,586	$ 1,891,957

The net pension asset and liability were measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, we recognized pension expense of $446,552. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 58,219
Changes in assumptions	-	184,644
Net difference between projected and actual earnings on pension plan investments	42,692	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	747,470	-
Total	$ 790,162	$ 242,863

$747,470 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

Year Ended December 31,		Deferred Outflows (inflow) of Resources
2015	$	(50,215)
2016		(50,215)
2017		(50,215)
2018		(47,791)
2019		(277)
Thereafter		(1,457)
Total	$	(200,170)

Actuarial assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50 – 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

Retired Member Mortality Class of Member
Educators
Men EDUM (90%)
Women EDUF (100%)
Public Safety and Firefighters
Men RP 2000mWC (100%)
Women EDUF (120%)
Local Government, Public Employees
Men RP 2000mWC (100%)
Women EDUF (120%)
EDUM=Constructed mortality table based on actual experience of male educators multiplied by given percentage
EDUF= Constructed mortality table based on actual experience of female educators multiplied by given percentage
RP 2000mWC= RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Total	100.00%		5.23%
Inflation			2.75%
Expected Arithmetic Nominal Return			7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Propotionate share of			
Net pension (asset) / liability	$ 4,551,212	$ 1,890,371	$ (325,613)

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

As of December 31, 2015 the District owed $16,712 to the Systems.

NOTE 7 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, 2015, 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 entity 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 approval by each of the seven members.

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, 2015 and for the year then ended is as follows:

	2015	2014
Total Assets	$ 94,360,234	$ 97,276,783
Total net positon	$ 84,358,039	$ 85,133,904
Operating revenues	$ 13,014,341	$ 12,069,140
Change in net position	$ (775,865)	$ (3,140,940)
The District's interest in:		
Net position	$ 18,644,085	$ 18,863,820
Net loss	$ 219,736	$ 722,751

In prior years the District has recorded 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 to 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.

NOTE 7 CENTRAL VALLEY WATER RECLAMATION FACILITY (Continued)

The District incurred the following costs from the joint venture for the year ended December 31, 2015:

Administration	$ 356,222
Operations and maintenance	2,833,449
Total	$ 3,189,671

The District owed a balance of $394,664 to Central Valley as of December 31, 2015 for wastewater treatment. This amount is included in accounts payable in the statement of net position.

NOTE 8 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 2015). During 2015, the District purchased approximately 18,960 acre feet of water, which cost $8,921,690.

During the year the District entered into contracts for construction of water and sewer facilities. As of December 31, 2015, there was approximately $2,136,966 outstanding on these contracts.

The District's 2012 series bonds require net revenue of 125% of the current bond principal payments. The District met the net revenue requirement for the year ended December 31, 2015.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District has commercial insurance. The District also carries commercial workers' compensation insurance. There were no significant reductions in coverage from the prior year, and settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 10 PRIOR PERIOD ADJUSTMENT

During the year, the District implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions. This statement provides improved accounting and financial reporting guidelines for state and local governments for pensions. As required by GASBS 68, the provisions of the standard have been applied retroactively. The effect of this was that net position has been restated with a decrease of $1,645,223.

REQUIRED SUPPLEMENTARY INFORMATION

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2014
Last 10 Fiscal Years*

	Noncontributory System	Tier 2 Public Employees System
Proportion of the net pension liability (asset)	0.4357104%	0.0523450%
Proportionate share of the net pension liability (asset)	$ 1,891,957	$ (1,586)
Covered employee payroll	$ 3,741,284	$ 256,880
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.6%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	103.5%

***** *The 10-year schedule will be built prospectively. The schedule above is only for the current year.*

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2014
Last 10 Fiscal Years*

	Noncontributory System	Tier 2 Public Employees System
Contractually required contribution	$ 684,815	$ 21,596
Contributions in relation to the contractually required contribution	(684,815)	(21,596)
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 3,741,284	$ 256,880
Contributions as a percentage of covered-employee payroll **	18.30%	8.41%

** Amounts presented were determined as of calendar year January 1 – December 31. Employers will be required to prospectively develop this table in future years to show 10-years of information. The schedule above is only for the current year.*

*** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.*

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2014

Other information that is not required as part of RSI

This information below is not required as part of GASB 68 but is provided for informational purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 – December 31.

Defined Contribution System

December 31, 2014

	Employee Paid Contribution	Employer Paid Contribution
401(k) Plan	$ -	$ 4,351
457 Plan	9,325	12,401
Roth IRA Plan	-	-
Traditional IRA Plan	-	-
HRA Plan	-	-

** The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.*

SUPPLEMENTARY INFORMATION

GRANGER-HUNTER IMPROVEMENT DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended December 31, 2015

	Budget	Actual	Variance
Revenues			
Metered water sales	$15,250,000	$ 14,907,556	$ (342,444)
Sewer service charges	$ 9,350,000	9,765,800	415,800
Interest income	370,000	400,064	30,064
Property taxes	3,960,000	3,987,816	27,816
Engineering	8,500	6,375	(2,125)
Impact fees	800,000	996,557	196,557
Connection and turn-off fees	100,000	85,202	(14,798)
Inspection	100,000	90,375	(9,625)
Other income	125,000	278,631	153,631
Total Revenues	30,063,500	30,518,376	454,876
Expenditures			
Salaries and wages	4,750,422	4,428,128	(322,294)
Employee benefits	2,833,000	2,422,566	(410,434)
Materials and supplies	711,155	643,673	(67,482)
Postage and mailing	176,000	161,693	(14,307)
Water purchased	9,095,625	8,921,690	(173,935)
Computer system	168,799	163,281	(5,518)
Building maintenance	80,600	81,297	697
Water quality expense	65,700	47,384	(18,316)
Bank expenses	169,150	207,949	38,799
Gas and diesel	307,500	241,971	(65,529)
Insurance	351,450	271,257	(80,193)
Utilities	1,025,040	1,063,536	38,496
Telephone	70,280	66,410	(3,870)
Professional fees	265,700	244,826	(20,874)
Seminars and training	106,850	97,641	(9,209)
Interest expense	219,244	195,333	(23,911)
Central Valley expense	3,823,276	3,189,672	(633,604)
Equipment and tools purchases	293,160	35,137	(258,023)
Contingency	180,000	-	(180,000)
Safety expense	37,400	29,272	(8,128)
Miscellaneous	119,670	114,677	(4,993)
Total Expenditures	24,850,021	22,627,393	(2,222,628)
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,213,479	7,890,983	2,677,504
Infrastructure purchases	12,693,220	4,822,554	(7,870,666)
Reconciliation of Excess (Deficiency) of Revenues Over Expenditures to Change in Net Position		$ 7,890,983	
Capital contributions		1,379,683	
Depreciation		(6,544,711)	
Equity in net loss of Central Valley		(1,330,733)	
Change in unrealized loss on investments		(33,246)	
Donation to other entities		(234,565)	
Change in Net Position		1,127,411	