

**GRANGER-HUNTER
IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS**

December 31, 2010

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INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees
Granger-Hunter Improvement District**

We have audited the accompanying basic financial statements of the Granger-Hunter Improvement District (the District) as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010 and the respective 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2011 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.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in the schedule 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 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.

Wisam Smith Racka & Prescott, LLP

Salt Lake City, Utah
May 17, 2011

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, 2010. 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 \$128,508,605 (net assets). Of this amount, \$39,621,558 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$935,081. Approximately 30% of this increase is made up of developer-contributed water and sewer lines. The remaining increase includes net revenues (15%) and collection of one-time impact fee charges (55%).
- The District's operating revenues decreased by \$760,408 (3.4%) in comparison with the prior year. The key factor in this change included a decrease in water sales due to a wetter than average spring and summer.
- The District's total debt decreased by \$8,565,959 during the current fiscal year. The decrease was attributable to the early payoff of debt attributable to the Central Valley Water Reclamation Facility (CVWRF).

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 the notes to the financial statements for a summary of the District's significant accounting policies.

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

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

Net Assets			
Assets	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 42,729,819	\$ 50,030,159	\$ 48,061,003
Restricted assets	3,658,099	3,615,762	4,305,079
Capital assets	<u>89,850,334</u>	<u>90,958,852</u>	<u>89,770,249</u>
Total assets	<u>\$ 136,238,252</u>	<u>\$ 144,604,773</u>	<u>\$ 142,136,331</u>
 Liabilities			
Current liabilities	\$ 2,433,590	\$ 3,169,233	\$ 3,040,102
Long-term obligations, less current maturities	<u>5,296,057</u>	<u>13,862,016</u>	<u>13,667,377</u>
Total liabilities	<u>\$ 7,729,647</u>	<u>\$ 17,031,249</u>	<u>\$ 16,707,479</u>
 Net Assets			
Invested in capital assets, net of related debt	\$ 85,228,948	\$ 84,515,932	\$ 83,488,815
Restricted for capital projects	3,658,099	3,615,762	4,305,079
Unrestricted	<u>39,621,558</u>	<u>39,441,830</u>	<u>37,634,958</u>
Total net assets	<u>\$ 128,508,605</u>	<u>\$ 127,573,524</u>	<u>\$ 125,428,852</u>

The Statement of Net Assets includes all of the District's assets and liabilities, and net assets which are categorized as invested in capital assets, net of related debt, restricted, or unrestricted. As can be seen from the schedule above, assets exceeded liabilities by \$128,508,605 at the end of the current year, an increase of .7% compared to last year. The largest portion of the District's net assets, \$85,228,948 (66%), 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 assets, \$3,658,099 (2.8%) represents resources that are subject to external restrictions on how they may be used.

While the Statement of Net Assets shows the change in financial position of net assets, the summary of the District's statement of revenues, expenses, and changes in net assets, provides information regarding the nature and source of these changes as seen in the following schedule. Net assets increased by \$935,081 in 2010.

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

Changes in Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 21,592,612	\$ 22,353,020	\$ 21,024,892
Operating expenses	<u>(24,908,010)</u>	<u>(23,609,651)</u>	<u>(23,307,824)</u>
Operating loss	(3,315,398)	(1,256,631)	(2,282,932)
Non-operating revenues, net	4,346,221	3,700,360	4,501,974
Non-operating expenses - interest	<u>(371,652)</u>	<u>(519,741)</u>	<u>(603,850)</u>
Income before capital contributions	659,171	1,923,988	1,615,192
Capital contributions	<u>275,910</u>	<u>339,564</u>	<u>8,823,505</u>
Change in net assets	935,081	2,263,552	10,438,697
Total net assets:			
Beginning of year	127,573,524	125,428,852	114,990,155
Adjustments to net assets	<u>-</u>	<u>(118,880)</u>	<u>-</u>
End of year	<u>\$ 128,508,605</u>	<u>\$ 127,573,524</u>	<u>\$ 125,428,852</u>

Capital Asset Activity

The District's investment in capital assets as of December 31, 2010, amounts to \$89,850,334 (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 1.2% percent overall.

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

- Construction of new or replacement water lines on 4700 South, 3200 West, 3650 South, and Pharoah Road.
- 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 storage reservoir repainting.
- Water and sewer lines contributed to the District by developers.

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

**Capital Assets
Net of Accumulated Depreciation**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land	\$ 2,282,945	\$ 2,278,445	\$ 1,998,745
Buildings and improvements	3,800,136	4,027,336	4,014,906
Water System	34,680,157	33,146,671	31,374,681
Sewage pumping plant	8,138,323	7,325,796	7,650,191
Sewage collection lines	36,090,185	38,191,299	39,149,844
Transportation equipment	716,828	701,620	527,592
Engineering and other equipment and tools	2,607,074	2,809,958	2,965,132
Office furniture and equipment	184,727	213,604	16,663
Construction in progress	<u>1,349,959</u>	<u>2,264,123</u>	<u>2,072,495</u>
	<u>\$ 89,850,334</u>	<u>\$ 90,958,852</u>	<u>\$ 89,770,249</u>

Debt Administration

At the end of the current fiscal year, the District had total long-term debt of 5,296,057. The debt represents bonds secured solely by specified revenue sources. The District's outstanding long-term debt decreased by \$8,565,959 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 ASSETS
December 31, 2010

ASSETS		
CURRENT ASSETS		
Unrestricted cash and cash equivalents	\$ 17,588,434	
Property taxes receivable	15,883	
Accounts receivable net of allowance	1,972,291	
Inventory	<u>629,775</u>	
TOTAL CURRENT ASSETS		20,206,383
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	3,658,099	
Capital assets, net	89,850,334	
Advances to Central Valley Water Reclamation Facility	264,050	
Investment in Central Valley Water Reclamation Facility	22,159,720	
Water Rights	57,601	
Bond issuance costs, net	<u>42,065</u>	
TOTAL NON-CURRENT ASSETS		<u>116,031,869</u>
TOTAL ASSETS		<u>\$ 136,238,252</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 885,722	
Accrued expenses	774,944	
Accrued interest on bonds payable	61,981	
Customer water deposits	29,247	
Revenue bonds payable	600,000	
Post employment termination liabilities	<u>81,696</u>	
TOTAL CURRENT LIABILITIES		2,433,590
NON-CURRENT LIABILITIES		
Revenue bonds payable	4,021,386	
Post employment termination liabilities	<u>1,274,671</u>	
TOTAL NON-CURRENT LIABILITIES		<u>5,296,057</u>
TOTAL LIABILITIES		<u>7,729,647</u>
NET ASSETS		
Invested in capital assets, net of related debt	85,228,948	
Restricted for capital projects	3,658,099	
Unrestricted	<u>39,621,558</u>	
TOTAL NET ASSETS		<u>128,508,605</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 136,238,252</u>

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
Year ended December 31, 2010

OPERATING REVENUES	
Metered water sales	\$ 12,439,597
Sewer service charges	8,979,704
Other	173,311
TOTAL OPERATING REVENUES	<u>21,592,612</u>
OPERATING EXPENSES	
Direct operation and maintenance	11,423,550
General and administrative	7,937,825
Depreciation and amortization	5,546,635
TOTAL OPERATING EXPENSES	<u>24,908,010</u>
OPERATING LOSS	(3,315,398)
NON-OPERATING REVENUES (EXPENSES)	
Property taxes	3,718,445
Impact fees	515,768
Interest income	376,714
Interest expense	(371,652)
Gain on sale of assets	64,516
Equity in net loss of CVWRF	(329,222)
TOTAL NON-OPERATING REVENUES - NET	<u>3,974,569</u>
Income before capital contributions	659,171
CAPITAL CONTRIBUTIONS	<u>275,910</u>
CHANGE IN NET ASSETS	935,081
Net assets - beginning of year	127,692,404
Adjustments to beginning net assets	<u>(118,880)</u>
Net assets - end of year	<u><u>\$ 128,508,605</u></u>

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
Year ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$	21,841,019
Payments to suppliers		(14,192,067)
Payments to employees		<u>(5,573,956)</u>
Net cash flows from operating activities		2,074,996
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes collected		<u>3,753,067</u>
Net cash flows from noncapital financing activities		3,753,067
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Impact fees received		515,768
Principal paid on revenue bonds		(8,889,802)
Payments for acquisition and construction of capital assets		(5,458,887)
Interest paid on revenue bonds		(371,652)
Cash paid for bond issuance costs		(87,748)
Proceeds from sale of assets		<u>1,448,944</u>
Net cash used by financing activities		(12,843,377)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital acquisitions in Central Valley Water Reclamation Facility		(396,075)
Interest received on investments		<u>376,714</u>
Net cash used by investing activities		<u>(19,361)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,034,675)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>28,281,208</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 21,246,533</u>
CASH AND CASH EQUIVALENTS RECORDED IN THE ACCOMPANYING STATEMENT OF NET ASSETS:		
Unrestricted	\$	17,588,434
Restricted		<u>3,658,099</u>
	\$	<u><u>21,246,533</u></u>

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

**GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
Year ended December 31, 2010**

RECONCILIATION OF OPERATING LOSS TO

NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating loss	\$	(3,315,398)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation and amortization		5,546,635
(Increase) decrease in assets:		
Accounts receivable		248,516
Inventory		7,042
Increase (decrease) in liabilities:		
Accounts payable		(74,625)
Accrued expenses		(334,600)
Customer water deposits		(2,574)
		<u> </u>
Net cash flows from operating activities	\$	<u>2,074,996</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Loss in Central Valley Water Reclamation Facility equity	\$	(329,222)
Contributed water and sewer lines		<u>275,910</u>

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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 government'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 GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict 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.

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

D. Restricted Cash and Cash Equivalents

Certain resources set aside for capital projects are classified as restricted on the statement of net assets 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.

E. 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.

F. Capital Assets

Capital assets are stated at cost and are defined by the District as assets with a cost of \$2,500 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, 2010

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

G. Joint Venture

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

H. 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.

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.

I. Allowance for Doubtful Accounts

Accounts receivable are stated net of an allowance for doubtful accounts of \$65,000. 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.

J. 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 2010 was .000685. 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.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

K. Budgetary Accounting

For management and control purposes, the District adopts and maintains a budget each year. The budget is maintained on a cash basis. Items budgeted, but not expended, are not carried over to succeeding years. Each budget item must be reapproved in each budget year.

L. 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.

M. Subsequent Events

Management of the District has evaluated subsequent events through May 17, 2011, 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 CASH 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.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

2 CASH AND INVESTMENTS (CONTINUED)

A. Deposits

	<u>Bank Balances</u>	<u>Book Balances</u>
Cash on hand	\$ -	\$ 200
Cash on deposit	10,062	10,062
Total	\$ 10,062	\$ 10,262

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, 2010, none of the District’s bank balances were uninsured.

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 non negotiable 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.

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.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

2 CASH AND INVESTMENTS (CONTINUED)

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, 2010, the District had \$902,513 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, 2010, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity less than one year</u>	<u>1-3 years</u>
State of Utah Public Treasurer's Investment Fund	\$ 902,513	\$ 902,513	\$ -
Sweep Account	2,564,053	2,564,053	-
Certificate of Deposit	1,005,300	1,005,300	-
Money Market Funds	4,889,297	4,889,297	-
Corporate Bonds	<u>11,875,108</u>	<u>5,711,800</u>	<u>6,163,308</u>
Total	<u>\$ 21,236,271</u>	<u>\$ 15,072,963</u>	<u>\$ 6,163,308</u>

The fair value of the investments above plus the deposits (Item A above) equals the sum of 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.

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. As of December 31, 2010, the District's investments in Money Market Funds were rated AAA by Standard & Poor's. The District's investments in U.S. Corporate bonds were rated from BBB+ to AAA by Standard and Poor's. The District's investments in the State of Utah Public Treasurer's Investment Fund and the Sweep Account were unrated.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

2 CASH AND INVESTMENTS (CONTINUED)

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.

3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions / Transfers In</u>	<u>Disposals / Transfers Out</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 2,278,445	\$ 4,500	\$ -	\$ 2,282,945
Construction in progress	<u>2,264,123</u>	<u>1,126,910</u>	<u>(2,041,074)</u>	<u>1,349,959</u>
Total capital assets not depreciated	4,542,568	1,131,410	(2,041,074)	3,632,904
Capital assets being depreciated:				
Buildings and improvements	6,965,516	14,454	-	6,979,970
Water System	58,278,083	3,440,620	-	61,718,703
Sewage pumping plant	13,033,972	1,240,802	-	14,274,774
Sewage collection lines	65,370,647	125,900	-	65,496,547
Transportation equipment	3,413,685	248,321	(250,707)	3,411,299
Engineering and other equipment	6,800,852	160,186	(1,545)	6,959,493
Furniture and fixtures	<u>585,638</u>	<u>29,750</u>	<u>-</u>	<u>615,388</u>
Total capital assets being depreciated	154,448,393	5,260,033	(252,252)	159,456,174
Less accumulated depreciation for:				
Buildings and improvements	(2,938,180)	(241,654)	-	(3,179,834)
Water System	(25,131,412)	(1,907,134)	-	(27,038,546)
Sewage pumping plant	(5,708,176)	(428,275)	-	(6,136,451)
Sewage collection lines	(27,179,348)	(2,227,014)	-	(29,406,362)
Transportation equipment	(2,712,065)	(233,113)	250,707	(2,694,471)
Engineering and other equipment	(3,990,894)	(363,070)	1,545	(4,352,419)
Furniture and fixtures	<u>(372,034)</u>	<u>(58,627)</u>	<u>-</u>	<u>(430,661)</u>
Total accumulated depreciation	<u>(68,032,109)</u>	<u>(5,458,887)</u>	<u>252,252</u>	<u>(73,238,744)</u>
Total capital assets being depreciated, net	<u>86,416,284</u>	<u>(198,854)</u>	<u>-</u>	<u>86,217,430</u>
Total capital assets, net	<u>\$ 90,958,852</u>	<u>\$ 932,556</u>	<u>\$ (2,041,074)</u>	<u>\$ 89,850,334</u>

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

4 UNREMITTED PROPERTY LIENS

There were no unremitted property liens as of December 31, 2010. 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

The District issues bonds where the District pledges income derived from the acquired or constructed assets to pay debt service. During 2005, revenue bonds totaling \$7,480,000 were issued to refund the Series 1998 water and sewer revenue refunding bonds. Revenue bonds outstanding at December 31, 2010 were as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Refunding	3.25% - 4.00%	\$ 4,765,000
		<u>\$ 4,765,000</u>

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 600,000	\$ 173,944	\$ 773,944
2012	625,000	149,444	774,444
2013	660,000	123,744	783,744
2014	680,000	96,944	776,944
2015	705,000	69,244	774,244
Thereafter	<u>1,495,000</u>	<u>56,072</u>	<u>1,551,072</u>
	<u>\$ 4,765,000</u>	<u>\$ 669,392</u>	<u>\$ 5,434,392</u>

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

5 LONG-TERM DEBT (CONTINUED)

Central Valley Revenue Bonds

The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Central Valley Water Reclamation Facility issued taxable sewer revenue bonds totaling \$35,000,000 at 3% for a term of 20 years, to fund the post – 1993 ownership of the treatment facility. The District paid off its share of the bonds during 2010.

Advance Refundings

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 assets. The reacquisition price exceeded the net carrying amount of the old debt by \$551,439. This amount is being netted against the new debt and 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, 2010 is \$169,652.

Changes in Long-Term Debt

Long Term Debt activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Revenue bonds	\$ 5,345,000	\$ -	\$ (580,000)	\$ 4,765,000	\$ 600,000
Less deferred amounts on refunding	(222,464)	-	52,812	(169,652)	-
Add bond premiums	33,687	-	(7,649)	26,038	-
CVWRF revenue bonds	<u>8,656,043</u>	<u>-</u>	<u>(8,656,043)</u>	<u>-</u>	<u>-</u>
Total bonds payable	<u>\$ 13,812,266</u>	<u>\$ -</u>	<u>\$ (9,190,880)</u>	<u>\$ 4,621,386</u>	<u>\$ 600,000</u>

Total interest expense incurred on long-term debt for the year ended December 31, 2010 was \$371,652, of which none was capitalized.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

6 POST EMPLOYMENT TERMINATION LIABILITIES

Postemployment Health Care 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. During 2010 there were four retirees who received benefits of approximately \$38,920. As of December 31, 2010 the remaining liability is \$500,767, of which \$81,696 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 ten eligible employees as of December 31, 2010. 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 \$855,600.

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 2010 were \$611,390, which represents 15.86% of covered payroll amounting to \$3,856,049. Employee contributions under this plan were \$69,407 for 2010.

Utah State Retirement System – The District contributes to the Local Government Noncontributory Retirement System (the System). The System is a cost sharing multiple employer defined benefit pension plan administered by the Utah Retirement Systems. The System 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.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

7 PENSION PLAN (CONTINUED)

The System 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 (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake Utah 84102 or by calling 1(800)365-8772.

The District was required to contribute 11.660%, January 2010 through June 2010, and 13.370%, July 2010 through December 2010 of covered salary to the Noncontributory System for 2010. 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 Noncontributory System for the years ended December 31, 2010, 2009 and 2008, respectively, were \$482,886, \$441,333 and \$406,943. The contributions were equal to the required contributions for each year. Covered salaries for the years ended December 31, 2010, 2008 and 2009, respectively, were \$3,856,049, \$3,791,324 and \$3,502,093.

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, 2010, 2009, and 2008 were \$22,432, \$22,854, and \$27,232 respectively.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

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, 2010 are as follows:

	<u>Original Facility</u>	<u>New Expansion</u>	<u>Enhancements</u>	<u>Digesters</u>	<u>Secondaries</u>
Cottonwood Improvement District	19.569%	7.3215%	18.1191%	8.042%	7.1225%
Salt Lake City Suburban Sanitary District #1	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	<u>12.695%</u>	<u>10.2356%</u>	<u>12.4851%</u>	<u>10.735%</u>	<u>10.3362%</u>
	<u>100.000%</u>	<u>100.0000%</u>	<u>100.0000%</u>	<u>100.000%</u>	<u>100.0000%</u>

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.

The District accounts for its investment in Central Valley using the equity method of accounting. Summarized financial information of Central Valley as of December 31, 2010 and for the year then ended is as follows:

Total assets	\$ 115,132,236
Total net assets	\$ 99,730,355
Operating revenue	\$ 11,416,715
Change in net assets	\$ 620,710
The District's interest in:	
Equity	\$ 22,159,720
Net loss	\$ 329,222

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

8 CENTRAL VALLEY WATER RECLAMATION FACILITY (CONTINUED)

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 its members. 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, UT 84119.

The District incurred the following costs from the joint venture for the year ended December 31, 2010:

Administration	\$ 336,092
Operations and maintenance	<u>2,252,360</u>
TOTAL	<u>\$ 2,588,452</u>
Total equity investment in CVWRF	<u>\$ 22,159,720</u>

The District owed a balance of \$305,135 to Central Valley as of December 31, 2010.

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 of acre feet of water each year from the Conservancy District (17,000 in 2010). The minimum amount increases gradually to 18,500 acre feet of water in 2013. During 2010, the District purchased approximately 18,483 acre feet of water, which cost \$7,022,884.

During the year, the District entered into contracts for construction of water facilities. As of December 31, 2010, there was approximately \$3,150,687 outstanding on the contracts.

The District's 2005 series bonds require a net revenue of 125% of the current bond principal payments. The District met the net revenue requirements for the year ended December 31, 2010.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the District is commercially insured.

11 PRIOR PERIOD ADJUSTMENTS

The beginning balance of net assets has been restated to reflect correct balances for the health insurance payable, deferred loss on early retirement of debt, and bond premium accounts. While recording the closing entries for 2010, management noted that the payable set up for health insurance premiums paid for the retirees was not being cleared out properly as the expense is paid leaving a large debit balance. Thus, the portion of such balance attributable to 2010 was reclassified to the health insurance expense account and the portion of the balance relating to years before 2010 was recorded as a reduction of 2010 beginning unrestricted net assets. During the 2010 audit it was also noted that the deferred loss and premium for the 2005 refunding bonds had been amortized using the straight-line method instead of the effective interest method for the past four years. In the past, the difference between the methods had been immaterial, but the difference is material in 2010 and will be material in future years. Thus, an entry was made to adjust the balances to what they should be under the effective interest method. The following table summarizes the financial statement captions and amounts within the 2009 statements that have been restated.

	December 31, 2009		
	As Previously Reported	Restatement Adjustments	As Restated
Health Insurance Payable	\$ (143,995)	\$ 143,995	\$ -
Bond Premium	\$ 29,672	\$ 4,016	\$ 33,688
Deferred Loss	\$ (193,333)	\$ (29,131)	\$ (222,464)
Net assets	\$ 127,692,404	\$ (118,880)	\$ 127,573,524

GRANGER-HUNTER IMPROVEMENT DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended December 31, 2010

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Metered water sales	\$ 13,710,000	\$ 12,439,597	\$ (1,270,403)
Sewer service charges	8,750,000	8,979,704	229,704
Interest income	660,000	376,714	(283,286)
Property taxes	3,995,000	3,718,445	(276,555)
Engineering	40,000	4,200	(35,800)
Impact fees	583,375	515,768	(67,607)
Connection and turn-off fees	180,000	58,559	(121,441)
Inspection	125,000	38,657	(86,343)
Other income	65,000	136,411	71,411
	<u>28,108,375</u>	<u>26,268,055</u>	<u>(1,840,320)</u>
EXPENSES:			
Salaries and wages	4,250,013	4,122,520	127,493
Employee benefits	2,293,214	2,553,913	(260,699)
Materials and supplies	691,175	583,952	107,223
Postage and mailing	194,564	162,973	31,591
Water purchased	7,094,588	7,022,884	71,704
Computer system	86,645	67,472	19,173
Building maintenance	72,020	73,999	(1,979)
Water quality expense	83,300	43,317	39,983
Bank expenses	91,050	127,438	(36,388)
Gas and diesel	268,800	271,777	(2,977)
Insurance	313,350	273,359	39,991
Utilities	947,300	815,783	131,517
Telephone	57,700	53,775	3,925
Professional fees	185,015	65,981	119,034
Seminars and training	145,480	77,565	67,915
Interest expense	195,369	371,652	(176,283)
Central Valley expenses	3,432,901	2,964,930	467,971
Capital projects	6,824,270	15,609	6,808,661
Contingency	280,000	-	280,000
Miscellaneous	56,435	64,128	(7,693)
	<u>27,563,189</u>	<u>19,733,027</u>	<u>7,830,162</u>
EXCESS OF REVENUES OVER EXPENSES	\$ 545,186	\$ 6,535,028	\$ 5,989,842
RECONCILIATION OF EXCESS OF REVENUES OVER			
EXPENSES TO CHANGE IN NET ASSETS		\$ 6,535,028	
Capital contributions		275,910	
Depreciation and amortization expense		(5,546,635)	
Equity in net loss of CVWRF		<u>(329,222)</u>	
CHANGE IN NET ASSETS		\$ 935,081	

**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 the basic financial statements of the Granger-Hunter Improvement District (the District), as of and for the year ended December 31, 2010, and have issued our report thereon dated May 17, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated May 17, 2011.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Wisam Smith Racke & Prescott, LLP

Salt Lake City, Utah
May 17, 2011

**INDEPENDENT AUDITORS' REPORT ON STATE
LEGAL COMPLIANCE**

**Board of Trustees
Granger-Hunter Improvement District**

We have audited the accompanying financial statements of the Granger-Hunter Improvement District (the District), for the year ended December 31, 2010, and have issued our report thereon dated May 17, 2011. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Special Districts
Cash Management	Other General Issues
Purchasing Requirements	Impact Fees
Budgetary Compliance	Utah Retirement System
Truth in Taxation and Property Tax Limitations	Fund Balance Limitation

The District did not receive any major or non major State grants during the year ended December 31, 2010.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on the District's compliance with these requirements.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2010.

This report is intended solely for the information and use of management of the District, the Board of Trustees, others within the entity, and applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Wisan Smith Racker & Prescott, LLP

Salt Lake City, Utah
May 17, 2011

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