

**GRANGER-HUNTER
IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS**

December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees Granger-Hunter Improvement District

We have audited the accompanying financial statements of the Granger-Hunter Improvement District (the District) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibilities for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not of the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Granger-Hunter Improvement District as of December 31, 2012 and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

WISAN, SMITH, RACKER & PRESCOTT, LLP

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Member: American Institute, Utah Association and Nevada Society of Certified Public Accountants

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements as a whole. The 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 basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, 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.



Salt Lake City, Utah
June 14, 2013

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, 2012. 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 \$132,280,957 (net position). Of this amount, \$41,045,975 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$3,365,582. Approximately 32% of this increase is made up of developer-contributed water and sewer lines. The remaining increase includes net revenues (45%) and collection of one-time impact fee charges (23%).
- The District's operating revenues increased by \$3,653,437 (17%) in comparison with the prior year.
- The District's long-term debt increased by \$3,308,152 during the current fiscal year.

Overview of the Financial Statements

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

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

Net Position			
Assets	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 44,972,962	\$ 41,403,286	\$ 42,729,819
Restricted assets	2,971,949	3,586,255	3,658,099
Capital assets	<u>95,482,018</u>	<u>91,435,175</u>	<u>89,850,334</u>
Total assets	<u>\$ 143,426,929</u>	<u>\$ 136,424,716</u>	<u>\$ 136,238,252</u>
Deferred Outflows of Resources	<u>\$ 83,891</u>	<u>\$ 123,304</u>	<u>\$ 169,652</u>
Liabilities			
Current liabilities	\$ 3,282,966	\$ 2,641,292	\$ 2,433,590
Long-term obligations, less current maturities	<u>7,946,897</u>	<u>4,955,158</u>	<u>5,465,709</u>
Total liabilities	<u>\$ 11,229,863</u>	<u>\$ 7,596,450</u>	<u>\$ 7,899,299</u>
Net Position			
Invested in capital assets	\$ 88,263,033	\$ 87,374,554	\$ 85,228,948
Restricted for capital projects	2,971,949	3,586,255	3,658,099
Unrestricted	<u>41,045,975</u>	<u>37,990,761</u>	<u>39,621,558</u>
Total net position	<u>\$ 132,280,957</u>	<u>\$ 128,951,570</u>	<u>\$ 128,508,605</u>

The Statement of Net Position includes all of the District's assets, liabilities, and net position which are categorized as invested in capital assets, restricted, or unrestricted. As can be seen from the schedule above, net position increased by \$3,365,582 at the end of the current year, an increase of 3% compared to last year. The largest portion of the District's net position, \$88,263,033 (67%), 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, \$2,971,949 (2%) 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. Net position increased by \$3,365,582 in 2012.

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

Changes in Net Position

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 25,353,349	\$ 21,699,912	\$ 21,592,612
Operating expenses	<u>(26,690,150)</u>	<u>(24,599,382)</u>	<u>(24,908,010)</u>
Operating loss	(1,336,801)	(2,899,470)	(3,315,398)
Non-operating revenues, net	3,840,919	3,406,769	4,346,221
Non-operating expenses - interest	<u>(230,552)</u>	<u>(205,179)</u>	<u>(371,652)</u>
Income before capital contributions	2,273,566	302,120	659,171
Capital contributions	<u>1,092,016</u>	<u>140,845</u>	<u>275,910</u>
Change in net position	3,365,582	442,965	935,081
Total net position:			
Beginning of year	128,951,570	128,508,605	127,573,524
Adjustments to net position	<u>(36,195)</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 132,280,957</u>	<u>\$ 128,951,570</u>	<u>\$ 128,508,605</u>

Capital Asset Activity

The District's investment in capital assets as of December 31, 2012, amounts to \$95,482,018 (net of accumulated depreciation). The investment in capital assets includes land, buildings, water and sewer system facilities, and machinery and equipment. The District's investment in capital assets for the current fiscal year increased by 4% percent overall.

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

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

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

**Capital Assets
Net of Accumulated Depreciation**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land	\$ 2,853,406	\$ 2,853,406	\$ 2,282,945
Buildings and improvements	3,544,254	3,619,320	3,800,136
Water System	35,938,642	36,028,196	34,680,157
Sewage pumping plant	6,044,723	6,471,533	6,897,521
Sewage collection lines	35,515,798	35,187,982	37,330,987
Transportation equipment	698,916	648,126	716,828
Engineering and other equipment and tools	2,266,664	2,470,862	2,607,074
Office furniture and equipment	166,296	219,994	184,727
Construction in progress	<u>8,453,319</u>	<u>3,935,756</u>	<u>1,349,959</u>
	<u>\$ 95,482,018</u>	<u>\$ 91,435,175</u>	<u>\$ 89,850,334</u>

Debt Administration

At the end of the current fiscal year, the District had total long-term debt of \$8,848,897. The debt represents bonds secured solely by specified revenue sources and post employment liabilities. The District's outstanding long-term debt increased by \$3,308,152 during the fiscal year. The District has no outstanding general obligation debt.

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

Requests for information

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2012

ASSETS

Unrestricted cash and cash equivalents	\$ 11,554,571
Marketable securities	9,412,100
Property taxes receivable	92,068
Accounts receivable, net of allowance	2,462,432
Inventory	773,692
Restricted cash and cash equivalents	2,971,949
Capital assets, net	95,482,018
Advances to Central Valley Water Reclamation Facility	264,050
Investment in Central Valley Water Reclamation Facility	20,356,448
Water Rights	<u>57,601</u>
TOTAL ASSETS	<u>143,426,929</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on early retirement of debt	<u>83,891</u>
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LIABILITIES

Accounts payable	1,450,282
Accrued expenses	736,913
Accrued interest on bonds payable	97,822
Customer water deposits	95,949
Revenue bonds payable, current	902,000
Revenue bonds payable, long-term	6,400,876
Post employment termination liabilities	<u>1,546,021</u>
TOTAL LIABILITIES	<u>11,229,863</u>

NET POSITION

Net investment in capital assets	88,263,033
Restricted for capital projects	2,971,949
Unrestricted	<u>41,045,975</u>
TOTAL NET POSITION	<u><u>\$ 132,280,957</u></u>

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
Year ended December 31, 2012

OPERATING REVENUES	
Metered water sales	\$ 15,362,465
Sewer service charges	9,622,120
Other	368,764
TOTAL OPERATING REVENUES	25,353,349
OPERATING EXPENSES	
Direct operation and maintenance	13,325,017
General and administrative	7,769,765
Depreciation and amortization	5,595,368
TOTAL OPERATING EXPENSES	26,690,150
OPERATING LOSS	(1,336,801)
NON-OPERATING REVENUES (EXPENSES)	
Property taxes	3,789,974
Impact fees	774,698
Interest income	338,282
Interest expense	(230,552)
Gain on disposal of assets	17,981
Unrealized gain on marketable securities	225,204
Equity in net loss of Central Valley Water Reclamation Facility	(1,305,220)
TOTAL NON-OPERATING REVENUES - NET	3,610,367
Income before capital contributions	2,273,566
CAPITAL CONTRIBUTIONS	1,092,016
CHANGE IN NET POSITION	3,365,582
Net position - beginning of year	128,951,570
Adjustments to beginning net position	(36,195)
Net position - end of year	\$ 132,280,957

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
Year ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$	25,043,154
Payments to suppliers		(15,501,030)
Payments to employees		(5,259,471)
Net cash flows from operating activities		<u>4,282,653</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes collected		<u>3,778,538</u>
Net cash flows from noncapital financing activities		3,778,538
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Impact fees received		774,698
Proceeds from the issuance of Series 2012 revenue bonds		3,750,000
Principal paid on revenue bonds		(625,000)
Payments for acquisition and construction of capital assets		(8,550,195)
Interest paid on revenue bonds		(197,188)
Proceeds from sale of assets		17,981
Net cash used by capital and related financing activities		<u>(4,829,704)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash from sale of investments		9,382,385
Cash paid for purchase of investments		(5,978,691)
Interest received on investments		338,282
Net cash flows from investing activities		<u>3,741,976</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,973,463
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>7,553,057</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 14,526,520</u>
CASH AND CASH EQUIVALENTS RECORDED IN THE ACCOMPANYING STATEMENT OF NET POSITION:		
Unrestricted	\$	11,554,571
Restricted		<u>2,971,949</u>
	\$	<u><u>14,526,520</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, 2012

RECONCILIATION OF OPERATING LOSS TO	
NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	\$ (1,336,801)
Adjustments to reconcile operating loss to net	
cash flows from operating activities:	
Depreciation and amortization	5,595,368
(Increase) decrease in assets:	
Accounts receivable	(379,309)
Inventory	(111,067)
Increase in liabilities:	
Accounts payable	261,287
Accrued expenses	34,273
Customer water deposits	69,114
Post employment termination liabilities	<u>149,788</u>
Net cash flows from operating activities	<u>\$ 4,282,653</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Loss in Central Valley Water Reclamation Facility equity	<u>\$ (1,305,220)</u>
Contributed water and sewer lines	<u>\$ 1,092,016</u>

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1 SUMMARY OF ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Measurement Focus and Basis of Accounting

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

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

C. Cash and Cash Equivalents

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

D. Investments

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

E. Restricted Cash and Cash Equivalents

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

F. Inventory

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

G. Capital Assets

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

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

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

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

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

H. Joint Venture

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

I. Vacation, Sick Leave and Other Compensated Absences

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

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

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

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

J. Allowance for Doubtful Accounts

Accounts receivable are stated net of an allowance for doubtful accounts of \$64,054. The allowance for doubtful accounts is based on the District's prior collection experience. Uncollected fees are certified to the county and attached as liens on the related real estate where allowable.

K. Property Tax Revenues

Property taxes are levied on January 1st based on the assessed value of property as listed. Assessed values are an approximation of market value. An evaluation of all real property must be made every year by the county assessor. Property taxes are delinquent after November 30. The District's tax rate for 2012 was .000771. 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, 2012

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

L. Budgetary Accounting

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

M. Use of Estimates in the Preparation of Financial Statements

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

N. Subsequent Events

Management of the District has evaluated subsequent events through June 14, 2013, which is also the date the financial statements were available to be issued. No subsequent events were noted during this evaluation that required recognition or disclosure in these financial statements.

2 DEPOSITS AND INVESTMENTS

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

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

2 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits

	Bank Balances	Book Balances
Cash on hand	\$ -	\$ 200
Cash on deposit	635,299	726,890
Total	\$ 635,299	\$ 727,090

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, 2012, none of the District’s deposit 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 nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Services or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury, including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer’s Investment Fund.

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

2 DEPOSITS AND INVESTMENTS (CONTINUED)

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

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses-net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. As of December 31, 2012, the District had \$11,288,813 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, 2012, 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>	<u>More than 3 years</u>
State of Utah Public Treasurer's Investment Fund	\$ 11,288,813	\$ 11,288,813	\$ -	\$ -
Sweep Account	2,510,616	2,510,616	-	-
Corporate Bonds	<u>9,412,101</u>	<u>5,537,270</u>	<u>3,874,831</u>	<u>-</u>
Total	<u>\$ 23,211,530</u>	<u>\$ 19,336,699</u>	<u>\$ 3,874,831</u>	<u>\$ -</u>

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

Unrestricted cash and cash equivalents	\$ 11,554,571
Restricted cash and cash equivalents	2,971,949
Marketable securities	<u>9,412,100</u>
	<u>\$ 23,938,620</u>

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

2 DEPOSITS AND INVESTMENTS (CONTINUED)

Cash on hand	\$	200
Deposits (book balance)		726,890
Sweep account		2,510,616
Utah Public Treasurer's Investment Fund		11,288,813
Corporate bonds		<u>9,412,101</u>
	<u>\$</u>	<u>23,938,620</u>

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

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

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, 2012, 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.

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk beyond the provisions of the Act. As of December 31, 2012, the District's sweep account balance was uninsured.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 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	\$ 2,853,406	\$ -	\$ -	\$ 2,853,406
Construction in progress	<u>3,935,756</u>	<u>7,272,373</u>	<u>(2,754,810)</u>	<u>8,453,319</u>
Total capital assets not depreciated	6,789,162	7,272,373	(2,754,810)	11,306,725
Capital assets being depreciated:				
Buildings and improvements	7,041,570	170,333	-	7,211,903
Water System	65,028,355	1,950,903	-	66,979,258
Sewage pumping plant	13,035,102	-	-	13,035,102
Sewage collection lines	66,826,599	2,531,357	-	69,357,956
Transportation equipment	3,499,343	282,269	(74,313)	3,707,299
Engineering and other equipment	7,181,826	170,493	-	7,352,319
Furniture and fixtures	<u>709,320</u>	<u>19,293</u>	<u>-</u>	<u>728,613</u>
Total capital assets being depreciated	163,322,115	5,124,648	(74,313)	168,372,450
Less accumulated depreciation for:				
Buildings and improvements	(3,422,250)	(245,399)	-	(3,667,649)
Water System	(29,000,159)	(2,040,457)	-	(31,040,616)
Sewage pumping plant	(6,563,569)	(426,810)	-	(6,990,379)
Sewage collection lines	(31,638,617)	(2,203,541)	-	(33,842,158)
Transportation equipment	(2,851,217)	(231,479)	74,313	(3,008,383)
Engineering and other equipment	(4,710,964)	(374,691)	-	(5,085,655)
Furniture and fixtures	<u>(489,326)</u>	<u>(72,991)</u>	<u>-</u>	<u>(562,317)</u>
Total accumulated depreciation	<u>(78,676,102)</u>	<u>(5,595,368)</u>	<u>74,313</u>	<u>(84,197,157)</u>
Total capital assets being depreciated, net	<u>84,646,013</u>	<u>(470,720)</u>	<u>-</u>	<u>84,175,293</u>
Total capital assets, net	<u>\$ 91,435,175</u>	<u>\$ 6,801,653</u>	<u>\$ (2,754,810)</u>	<u>\$ 95,482,018</u>

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

4 UNREMITTED PROPERTY LIENS

There were no unremitted property liens as of December 31, 2012. All property liens had been remitted to the Salt Lake County Treasurer's office for attachment to the related real estate.

5 LONG-TERM DEBT

Changes in Long-Term Debt

Long Term Debt activity for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Termination benefits payable	\$ 1,396,233	\$ 149,788	\$ -	\$ 1,546,021	\$ -
Water and Sewer Revenue Bonds, Series 2005	4,165,000	-	(625,000)	3,540,000	(660,000)
Water and Sewer Revenue Bonds, Series 2012	-	3,750,000	-	3,750,000	(242,000)
Less deferred amounts on refunding	(123,304)	-	(39,413)	(83,891)	-
Add bond premiums	<u>18,925</u>	<u>-</u>	<u>6,049</u>	<u>12,876</u>	<u>-</u>
Total long-term debt	<u>\$ 5,456,854</u>	<u>\$ 3,899,788</u>	<u>\$ (658,364)</u>	<u>\$ 8,765,006</u>	<u>\$ (902,000)</u>

Total interest expense incurred on long-term debt for the year ended December 31, 2012 was \$230,552, of which none was capitalized.

Revenue bonds consist of the following:

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Water and Sewer Revenue Refunding Bonds, Series 2005, due in semi-annual interest installments ranging from \$14,250 to \$68,472 and estimated annual principal installments ranging from \$660,000 to \$760,000, bearing interest between 3.25% and 4%, maturing in March 2017	\$ 660,000	\$ 2,880,000	\$ 3,540,000

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

5 LONG-TERM DEBT (CONTINUED)

Water and Sewer Revenue Bonds,

Series 2012, with the State of Utah Department of Environmental Quality only \$3,750,000 of the approved \$6,202,000 bond amount has been drawn through December 31, 2012, interest payable due in annual installments on March 1st, and estimated annual principal installments ranging from \$242,000 to \$389,000, bearing interest at 2.5%, maturing in March 2032

	242,000	3,508,000	3,750,000
Total bonds payable	\$ 902,000	\$ 6,388,000	\$ 7,290,000

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2013	\$ 902,000	\$ 211,444	\$ 1,113,444
2014	928,000	181,444	1,109,444
2015	960,000	144,369	1,104,369
2016	996,000	110,422	1,106,422
2017	1,028,000	76,150	1,104,150
2018-2022	1,441,000	239,250	1,680,250
2023-2027	1,035,000	56,050	1,091,050
* 2028-2032	-	-	-
	\$ 7,290,000	\$ 1,019,129	\$ 8,309,129

* Amounts yet to be drawn.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

5 LONG-TERM DEBT (CONTINUED)

Advance Refunding

The government issued Water and Sewer Revenue Refunding Bonds, Series 2005, in February 2005. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$551,439. This amount is being amortized over the remaining life of the new debt, which is shorter than the life of the refunded debt. The unamortized portion as of December 31, 2012 is \$83,891.

The District issued Water and Sewer Revenue Bonds, Series 2012, in January 2012. The principal amount of the bond was \$6,202,000 which is available to the District as improvements in the District occur. During 2012, the District drew \$3,750,000 on the bond. As of December 31, 2012, \$2,452,000 on the original bond issue was undisbursed.

6 POST-EMPLOYMENT TERMINATION LIABILITIES

Postemployment Health Care Benefits-Termination Benefits

During 2007, the District began to accrue a post-employment liability for health care benefits to be provided to retired employees who have elected to convert unused sick leave to coverage under the District's group health and accident plan as discussed in Note 1. The liability is determined by multiplying the total number of months of coverage remaining for all retirees by the current insurance rates for medical and dental benefits. As of December 31, 2012 the remaining liability is \$458,832, of which none is current.

Retirement Buyout

During 2007, the District also elected to begin accruing a liability for the potential purchase of future service credit from Utah Retirement Systems (URS) for qualified employees. To qualify for retirement buyout from URS an employee must have a minimum of 25 years of eligible service. The District will share in the cost of buyout from 50% to 80% based on an employee's age and years of service. A table found in the District's Personnel Rules and Regulations Manual specifies the District's share. The District has nine eligible employees as of December 31, 2012. 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 \$1,087,189.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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 2012 were \$540,019, which represents 13.1% of covered payroll amounting to \$4,113,543. Employee contributions under this plan were \$66,785 for 2012.

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.

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 City, Utah 84102 or by calling 1-800-365-8772.

The District was required to contribute 13.770%, January 2012 through June 2012, and 16.040%, July 2012 through December 2012 of covered salary to the Noncontributory System for 2012. 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, 2012, 2011, and 2010, respectively, were \$572,564, \$504,685, and \$482,886. The contributions were equal to the required contributions for each year. Covered salaries for the years ended December 31, 2012, 2011, and 2010, respectively, were \$3,864,172, \$3,718,259, and \$3,856,049.

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, 2012, 2011, and 2010 were \$23,642, \$22,952, and \$22,432, respectively.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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, 2012 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%
Taylorville-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 Water Reclamation Facility (Central Valley) using the equity method of accounting. Summarized financial information of Central Valley as of December 31, 2012 and for the year then ended is as follows:

Total assets	\$ 104,857,065
Total net position	\$ 91,649,707
Operating revenue	\$ 11,106,441
Change in net position	\$ (3,774,077)
The District's interest in:	
Equity	\$ 20,356,448
Net loss	\$ 1,305,220

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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 the District. The District's equity in net losses of Central Valley annually approximates its share of Central Valley's depreciation expense. Audited statements are available at Central Valley Water Reclamation Facility, 800 West Central Valley Road, Salt Lake City, Utah 84119.

The District incurred the following costs from the joint venture for the year ended December 31, 2012:

Administration	\$ 309,714
Operations and maintenance	<u>2,463,363</u>
TOTAL	<u>\$ 2,773,077</u>

The District owed a balance of \$260,050 to Central Valley as of December 31, 2012 for wastewater treatment. This amount is included in accounts payable in the statement of net position.

9 COMMITMENTS AND CONTINGENCIES

An agreement has been made with Jordan Valley Water Conservancy District, which provides, in general, that the District will purchase a minimum amount of water each year from the Conservancy District (18,000 acre feet in 2012). The minimum amount increases gradually to 18,500 acre feet of water in 2013 and thereafter. During 2012, the District purchased approximately 21,552 acre feet of water, which cost \$8,932,922.

During the year, the District entered into contracts for construction of water facilities. As of December 31, 2012, there was approximately \$2,881,475 outstanding on these contracts.

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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 omissions; and natural disasters for which the District is commercially insured.

11 PRIOR PERIOD ADJUSTMENTS

As required by GASB 65, the beginning net position balance has been restated to reflect the District expensing bond issuance costs relating to the Water and Sewer Revenue Refunding Bonds, Series 2005, that were initially capitalized and amortized over the life of the bond. This resulted in a decrease in beginning net position of \$36,195.

SUPPLEMENTARY INFORMATION

GRANGER-HUNTER IMPROVEMENT DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended December 31, 2012

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Metered water sales	\$ 15,100,000	\$ 15,362,465	\$ 262,465
Sewer service charges	9,500,000	9,622,120	122,120
Interest income	270,000	338,282	68,282
Property taxes	3,930,000	3,789,974	(140,026)
Engineering	10,000	4,300	(5,700)
Impact fees	560,040	774,698	214,658
Connection and turn-off fees	65,000	88,675	23,675
Inspection	45,000	170,797	125,797
Other income	110,000	122,973	12,973
	<u>29,590,040</u>	<u>30,274,284</u>	<u>684,244</u>
EXPENSES:			
Salaries and wages	4,142,676	4,113,543	29,133
Employee benefits	2,419,195	2,214,248	204,947
Materials and supplies	48,945	495,218	(446,273)
Postage and mailing	175,900	157,658	18,242
Water purchased	8,875,000	8,932,922	(57,922)
Computer system	85,700	89,450	(3,750)
Building maintenance	697,195	72,122	625,073
Water quality expense	73,900	51,414	22,486
Bank expenses	134,150	159,225	(25,075)
Gas and diesel	329,000	327,484	1,516
Insurance	323,350	265,046	58,304
Utilities	969,300	963,833	5,467
Telephone	61,100	55,318	5,782
Professional fees	188,415	128,017	60,398
Seminars and training	103,110	51,595	51,515
Interest expense	224,444	230,552	(6,108)
Central Valley expenses	3,736,196	2,773,077	963,119
Capital projects	374,000	472,055	(98,055)
Infrastructure purchases	12,261,935	10,832,951	1,428,984
Contingency	180,000	-	180,000
Safety expense	32,830	32,480	350
Miscellaneous	40,700	212,132	(171,432)
	<u>35,477,041</u>	<u>32,630,340</u>	<u>2,846,701</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (5,887,001)</u>	<u>\$ (2,356,056)</u>	<u>\$ 3,530,945</u>
RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES TO CHANGE IN NET ASSETS			
Capital contributions		\$ (2,356,056)	
Depreciation and amortization expense		1,092,016	
Change in unrealized loss on investments		(5,595,368)	
Equity in net loss of Central Valley		225,204	
Capitalized capital projects		(1,305,220)	
Capitalized infrastructure purchases		472,055	
		<u>10,832,951</u>	
CHANGE IN NET ASSETS		<u>\$ 3,365,582</u>	

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Granger-Hunter Improvement District, which comprise the statement of net position as of December 31, 2012 and the statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Granger-Hunter Improvement District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Granger-Hunter Improvement District's internal control. Accordingly, we do not express an opinion on the effectiveness of Granger-Hunter Improvement District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (12-1).

WISAN, SMITH, RACKER & PRESCOTT, LLP

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Member: American Institute, Utah Association and Nevada Society of Certified Public Accountants

Compliance and Other Matters

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

Granger-Hunter Improvement District's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink, which appears to read "Wison, Smith, Rucker + Prescott, LLP".

Salt Lake City, Utah
June 14, 2013

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2012

SIGNIFICANT DEFICIENCY

12-1 Develop a Year-end Closing Schedule with Instructions for Closing Procedures

This year's closing process was delayed because some important procedures were not performed on time. The results were delays in producing closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.

To ensure effective completion of the annual year-end closing procedures and to ensure that the overall reporting timetable is met, we recommend that formal closing instructions and related accounting practices be developed and, perhaps, included in a separate accounting procedural policy. These instructions should include the following matters:

- The purpose of all closing procedures.
- Timetables outlining appropriate due dates.
- Sample formats.
- Instructions for schedules to be prepared.

We recommend that the timetable cover the period beginning with the preparation for preaudit meetings and physical inventories through the completion of the data required for the financial statements.

The policy also should include a chronological listing of the original due dates for the items required. Such information will aid in the review of the information and timely follow-up of matters questioned. The general manager should assign one individual, such as the controller, the overall responsibility for monitoring compliance with the instructions.

Management's response

Management is aware of this issue and agrees that the development of a more defined year-end closing schedule would be beneficial. Management will review the last year-end closing process and make necessary adjustments.

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

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

We have audited Granger-Hunter Improvement District's (the District) compliance with general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended December 31, 2012. The general compliance requirements applicable to the District are identified as follows:

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

The District did not receive any major or nonmajor State grants during the year ended December 31, 2012.

Compliance with the requirements referred to above is the responsibility of the District's management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2012.

This report is intended solely for the information and use of management of the District, the Board of Trustees, others within the entity, the Office of the Utah State Auditor, and applicable federal and state agencies and pass-through entities 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.



Salt Lake City, Utah
June 14, 2013

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