

**GRANGER-HUNTER
IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS**

December 31, 2011

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	5
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	9
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS.....	10
STATEMENT OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS.....	13
SUPPLEMENTARY SCHEDULE:	
SCHEDULE I – BUDGET TO ACTUAL COMPARISON	27
SUPPLEMENTARY REPORTS:	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	28
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE IN ACCORDANCE WITH THE <i>STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE</i>	30

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, 2011, 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, 2011 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2012, 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 as 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 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.

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 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.

Wison, Smith, Rocker & Prescott, LLP

Salt Lake City, Utah
June 20, 2012

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, 2011. 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 \$128,951,570 (net assets). Of this amount, \$37,990,761 (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 \$442,965. 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 increased by \$107,300 (.5%) in comparison with the prior year.
- The District's long-term debt decreased by \$464,203 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 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 is improving or deteriorating.

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

Net Assets			
Assets	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 41,403,286	\$ 42,729,819	\$ 50,030,159
Restricted assets	3,586,255	3,658,099	3,615,762
Capital assets	<u>91,435,175</u>	<u>89,850,334</u>	<u>90,958,852</u>
Total assets	<u>\$ 136,424,716</u>	<u>\$ 136,238,252</u>	<u>\$ 144,604,773</u>
 Liabilities			
Current liabilities	\$ 2,641,292	\$ 2,433,590	\$ 3,169,233
Long-term obligations, less current maturities	<u>4,831,854</u>	<u>5,296,057</u>	<u>13,862,016</u>
Total liabilities	<u>\$ 7,473,146</u>	<u>\$ 7,729,647</u>	<u>\$ 17,031,249</u>
 Net Assets			
Invested in capital assets, net of related debt	\$ 87,374,554	\$ 85,228,948	\$ 84,515,932
Restricted for capital projects	3,586,255	3,658,099	3,615,762
Unrestricted	<u>37,990,761</u>	<u>39,621,558</u>	<u>39,441,830</u>
Total net assets	<u>\$ 128,951,570</u>	<u>\$ 128,508,605</u>	<u>\$ 127,573,524</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 \$128,951,570 at the end of the current year, an increase of .3% compared to last year. The largest portion of the District's net assets, \$87,374,554 (68%), reflects its investment in capital assets (e.g., land, buildings, water and sewer system facilities, and equipment). The District uses these capital assets in its daily operations; consequently, they are not available for future spending. An additional portion of the District's net assets, \$3,586,255 (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 \$442,965 in 2011.

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

Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 21,699,912	\$ 21,592,612	\$ 22,353,020
Operating expenses	<u>(24,599,382)</u>	<u>(24,908,010)</u>	<u>(23,609,651)</u>
Operating loss	(2,899,470)	(3,315,398)	(1,256,631)
Non-operating revenues, net	3,406,769	4,346,221	3,700,360
Non-operating expenses - interest	<u>(205,179)</u>	<u>(371,652)</u>	<u>(519,741)</u>
Income before capital contributions	302,120	659,171	1,923,988
Capital contributions	<u>140,845</u>	<u>275,910</u>	<u>339,564</u>
Change in net assets	442,965	935,081	2,263,552
Total net assets:			
Beginning of year	128,508,605	127,573,524	125,428,852
Adjustments to net assets	<u>-</u>	<u>-</u>	<u>(118,880)</u>
End of year	<u>\$ 128,951,570</u>	<u>\$ 128,508,605</u>	<u>\$ 127,573,524</u>

Capital Asset Activity

The District's investment in capital assets as of December 31, 2011, amounts to \$91,435,175 (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 1.8% 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.
- Purchase of land.

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

**Capital Assets
Net of Accumulated Depreciation**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 2,853,406	\$ 2,282,945	\$ 2,278,445
Buildings and improvements	3,619,320	3,800,136	4,027,336
Water System	36,028,196	34,680,157	33,146,671
Sewage pumping plant	6,471,533	6,897,521	7,325,796
Sewage collection lines	35,187,982	37,330,987	38,191,299
Transportation equipment	648,126	716,828	701,620
Engineering and other equipment and tools	2,470,862	2,607,074	2,809,958
Office furniture and equipment	219,994	184,727	213,604
Construction in progress	<u>3,935,756</u>	<u>1,349,959</u>	<u>2,264,123</u>
	<u>\$ 91,435,175</u>	<u>\$ 89,850,334</u>	<u>\$ 90,958,852</u>

Debt Administration

At the end of the current fiscal year, the District had total long-term debt of \$4,831,854. The debt represents bonds secured solely by specified revenue sources and post employment liabilities. The District's outstanding long-term debt decreased by \$464,203 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, 2011

ASSETS		
CURRENT ASSETS		
Unrestricted cash and cash equivalents		\$ 3,966,802
Marketable securities		13,048,405
Property taxes receivable		80,632
Accounts receivable net of allowance		2,083,123
Inventory		<u>662,625</u>
	TOTAL CURRENT ASSETS	19,841,587
NON-CURRENT ASSETS		
Restricted cash and cash equivalents		3,586,255
Capital assets, net		91,435,175
Advances to Central Valley Water Reclamation Facility		264,050
Investment in Central Valley Water Reclamation Facility		21,203,853
Water Rights		57,601
Bond issuance costs, net		<u>36,195</u>
	TOTAL NON-CURRENT ASSETS	<u>116,583,129</u>
	TOTAL ASSETS	<u>\$ 136,424,716</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable		\$ 1,188,995
Accrued expenses		746,481
Accrued interest on bonds payable		53,981
Customer water deposits		26,835
Revenue bonds payable		<u>625,000</u>
	TOTAL CURRENT LIABILITIES	2,641,292
NON-CURRENT LIABILITIES		
Revenue bonds payable		3,435,621
Post employment termination liabilities		<u>1,396,233</u>
	TOTAL NON-CURRENT LIABILITIES	<u>4,831,854</u>
	TOTAL LIABILITIES	<u>7,473,146</u>
NET ASSETS		
Invested in capital assets, net of related debt		87,374,554
Restricted for capital projects		3,586,255
Unrestricted		<u>37,990,761</u>
	TOTAL NET ASSETS	<u>128,951,570</u>
	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 136,424,716</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, 2011

OPERATING REVENUES	
Metered water sales	\$ 12,140,623
Sewer service charges	9,313,841
Other	245,448
TOTAL OPERATING REVENUES	21,699,912
OPERATING EXPENSES	
Direct operation and maintenance	11,688,501
General and administrative	7,388,891
Depreciation and amortization	5,521,990
TOTAL OPERATING EXPENSES	24,599,382
OPERATING LOSS	(2,899,470)
NON-OPERATING REVENUES (EXPENSES)	
Property taxes	3,675,711
Impact fees	768,347
Interest income	272,319
Interest expense	(205,179)
Gain on sale of assets	27,155
Unrealized loss on marketable securities	(140,503)
Equity in net loss of Central Valley Water Reclamation Facility	(1,196,260)
TOTAL NON-OPERATING REVENUES - NET	3,201,590
Income before capital contributions	302,120
CAPITAL CONTRIBUTIONS	
	140,845
CHANGE IN NET ASSETS	442,965
Net assets - beginning of year	128,508,605
Net assets - end of year	\$ 128,951,570

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
Year ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users		\$ 21,589,080
Payments to suppliers		(13,605,062)
Payments to employees		<u>(5,100,279)</u>
Net cash flows from operating activities		2,883,739
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes collected		<u>3,610,962</u>
Net cash flows from noncapital financing activities		3,610,962
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Impact fees received		768,347
Principal paid on revenue bonds		(520,899)
Payments for acquisition and construction of capital assets		(6,960,116)
Interest paid on revenue bonds		(205,179)
Proceeds from sale of assets		<u>27,155</u>
Net cash used by financing activities		(6,890,692)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash from sale of investments		4,130,000
Cash paid for purchase of investments		(5,100,000)
Capital acquisitions in Central Valley Water Reclamation Facility		(225,178)
Interest received on investments		<u>272,319</u>
Net cash used by investing activities		<u>(922,859)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,318,850)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>8,871,907</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 7,553,057</u>
CASH AND CASH EQUIVALENTS RECORDED IN THE ACCOMPANYING STATEMENT OF NET ASSETS:		
Unrestricted		\$ 3,966,802
Restricted		<u>3,586,255</u>
		<u>\$ 7,553,057</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, 2011**

RECONCILIATION OF OPERATING LOSS TO

NET CASH FLOWS FROM OPERATING ACTIVITIES:

Operating loss	\$	(2,899,470)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation and amortization		5,521,990
Change in unrealized loss		140,503
(Increase) decrease in assets:		
Accounts receivable		(110,832)
Inventory		(32,850)
Increase (decrease) in liabilities:		
Accounts payable		303,273
Accrued expenses		(36,463)
Customer water deposits		(2,412)
		<u>2,883,739</u>
Net cash flows from operating activities	\$	<u>2,883,739</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Loss in Central Valley Water Reclamation Facility equity	\$	(1,196,260)
Contributed water and sewer lines	\$	<u>140,845</u>

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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 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.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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, 2011**

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 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.

I. Allowance for Doubtful Accounts

Accounts receivable are stated net of an allowance for doubtful accounts of \$64,289. 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 2011 was .000712. 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, 2011

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 June 20, 2012, 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, 2011**

2 CASH AND INVESTMENTS (CONTINUED)

A. Deposits

	<u>Bank Balances</u>	<u>Book Balances</u>
Cash on hand	\$ -	\$ 200
Cash on deposit	34,460	83,644
Total	\$ 34,460	\$ 83,844

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, 2011, 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.

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, 2011

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, 2011, the District had \$657,327 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, 2011, 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	\$ 657,327	\$ 2,157,327	\$ -	\$ -
Sweep Account	3,292,426	3,292,426	-	-
Money Market Funds	3,603,304	3,603,304	-	-
U.S. Obligations and Agencies	3,452,042	-	1,401,437	2,050,605
Corporate Bonds	9,596,363	4,465,482	5,130,881	-
Total	<u>\$ 20,601,462</u>	<u>\$ 13,518,539</u>	<u>\$ 6,532,318</u>	<u>\$ 2,050,605</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, 2011, 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 A- 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, 2011

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. As of December 31, 2011, the District's sweep account balance was uninsured.

3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 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	\$ 2,282,945	\$ 570,461	\$ -	\$ 2,853,406
Construction in progress	1,349,959	3,520,973	(935,176)	3,935,756
Total capital assets not depreciated	3,632,904	4,091,434	(935,176)	6,789,162
Capital assets being depreciated:				
Buildings and improvements	6,979,970	61,600	-	7,041,570
Water System	61,718,703	3,309,652	-	65,028,355
Sewage pumping plant	13,033,972	1,130	-	13,035,102
Sewage collection lines	66,737,349	89,250	-	66,826,599
Transportation equipment	3,411,299	166,805	(78,761)	3,499,343
Engineering and other equipment	6,959,493	222,333	-	7,181,826
Furniture and fixtures	615,388	93,932	-	709,320
Total capital assets being depreciated	159,456,174	3,944,702	(78,761)	163,322,115
Less accumulated depreciation for:				
Buildings and improvements	(3,179,834)	(242,416)	-	(3,422,250)
Water System	(27,038,546)	(1,961,613)	-	(29,000,159)
Sewage pumping plant	(6,136,451)	(427,118)	-	(6,563,569)
Sewage collection lines	(29,406,362)	(2,232,255)	-	(31,638,617)
Transportation equipment	(2,694,471)	(235,507)	78,761	(2,851,217)
Engineering and other equipment	(4,352,419)	(358,545)	-	(4,710,964)
Furniture and fixtures	(430,661)	(58,665)	-	(489,326)
Total accumulated depreciation	(73,238,744)	(5,516,119)	78,761	(78,676,102)
Total capital assets being depreciated, net	86,217,430	(1,571,417)	-	84,646,013
Total capital assets, net	\$ 89,850,334	\$ 2,520,017	\$ (935,176)	\$ 91,435,175

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

4 UNREMITTED PROPERTY LIENS

There were no unremitted property liens as of December 31, 2011. 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, 2011 were as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Refunding bonds	3.25% - 4.00%	\$ 4,165,000
		<u>\$ 4,165,000</u>

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2016	735,000	41,822	776,822
Thereafter	<u>760,000</u>	<u>14,250</u>	<u>774,250</u>
	<u>\$ 4,165,000</u>	<u>\$ 495,448</u>	<u>\$ 4,660,448</u>

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

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 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, 2011 is \$123,304.

Changes in Long-Term Debt

Long Term Debt activity for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Revenue bonds	\$ 4,765,000	\$ -	\$ (600,000)	\$ 4,165,000	\$ 625,000
Less deferred amounts on refunding	(169,652)	-	(46,348)	(123,304)	-
Add bond premiums	<u>26,038</u>	<u>-</u>	<u>7,113</u>	<u>18,925</u>	<u>-</u>
Total bonds payable	<u>\$ 4,621,386</u>	<u>\$ -</u>	<u>\$ (639,235)</u>	<u>\$ 4,060,621</u>	<u>\$ 625,000</u>

Total interest expense incurred on long-term debt for the year ended December 31, 2011 was \$205,179, of which none was capitalized.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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. During 2011 there were two retirees who received benefits of approximately \$19,726. As of December 31, 2011 the remaining liability is \$507,425, 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, 2011. 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 \$888,808.

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 2011 were \$630,931, which represents 16.12% of covered payroll amounting to \$3,913,003. Employee contributions under this plan were \$42,223 for 2011.

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, 2011

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 13.370%, January 2011 through June 2011, and 13.770%, July 2011 through December 2011 of covered salary to the Noncontributory System for 2011. 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, 2011, 2010 and 2009, respectively, were \$504,685, \$482,886, and \$441,333. The contributions were equal to the required contributions for each year. Covered salaries for the years ended December 31, 2011, 2010 and 2009, respectively, were \$3,718,259, \$3,856,049, and \$3,791,324.

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, 2011, 2010, and 2009 were \$22,952, \$22,432 and \$22,854, respectively.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

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, 2011 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 Water Reclamation Facility (Central Valley) using the equity method of accounting. Summarized financial information of Central Valley as of December 31, 2011 and for the year then ended is as follows:

Total assets	\$ 110,166,281
Total net assets	\$ 95,423,784
Operating revenue	\$ 11,380,374
Change in net assets	\$ (4,306,571)
The District's interest in:	
Equity	\$ 21,203,853
Net loss	\$ 1,196,260

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

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, 2011:

Administration	\$ 323,138
Operations and maintenance	<u>2,707,146</u>
TOTAL	<u>\$ 3,030,284</u>
Total equity investment in Central Valley	<u>\$ 21,203,853</u>

The District owed a balance of \$267,781 to Central Valley as of December 31, 2011 for wastewater treatment. This amount is included in accounts payable in the statement of net assets.

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 (17,500 in 2011). The minimum amount increases gradually to 18,500 acre feet of water in 2013. During 2011, the District purchased approximately 17,759 acre feet of water, which cost \$7,124,628.

During the year, the District entered into contracts for construction of water facilities. As of December 31, 2011, there was approximately \$1,631,957 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, 2011.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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 RECLASSIFICATION

In 2011, the District determined that the 2010 cash and cash equivalents included \$12,374,626, of government and corporate bonds. The District reclassified these bonds as investments in 2011 resulting in a change to the beginning cash on the cash flows statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended December 31, 2011

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Metered water sales	\$ 13,275,000	\$ 12,140,623	\$ (1,134,377)
Sewer service charges	9,100,000	9,313,841	213,841
Interest income	250,000	272,319	22,319
Property taxes	3,985,000	3,675,711	(309,289)
Engineering	20,000	7,133	(12,867)
Impact fees	466,700	768,347	301,647
Connection and turn-off fees	100,000	60,313	(39,687)
Inspection	55,000	59,930	4,930
Other income	85,000	145,227	60,227
	<u>27,336,700</u>	<u>26,443,444</u>	<u>(893,256)</u>
EXPENSES:			
Salaries and wages	4,286,832	3,913,003	373,829
Employee benefits	2,346,242	2,222,679	123,563
Materials and supplies	642,340	525,275	117,065
Postage and mailing	180,400	159,056	21,344
Water purchased	7,500,000	7,124,628	375,372
Computer system	100,050	88,436	11,614
Building maintenance	78,285	67,053	11,232
Water quality expense	76,250	46,367	29,883
Bank expenses	116,150	149,476	(33,326)
Gas and diesel	270,000	338,381	(68,381)
Insurance	313,350	287,823	25,527
Utilities	947,300	869,169	78,131
Telephone	58,900	54,782	4,118
Professional fees	108,015	52,226	55,789
Seminars and training	123,650	58,745	64,905
Interest expense	173,944	205,179	(31,235)
Central Valley expenses	3,504,024	3,030,284	473,740
Capital projects	363,175	315,866	47,309
Infrastructure purchases	6,660,450	6,660,668	(218)
Contingency	180,000	-	180,000
Safety expense	21,850	21,945	(95)
Miscellaneous	85,260	50,710	34,550
	<u>28,136,467</u>	<u>26,241,751</u>	<u>1,894,716</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (799,767)</u>	<u>\$ 201,693</u>	<u>\$ 1,001,460</u>
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO CHANGE IN NET ASSETS			
Capital contributions		\$ 201,693	
Depreciation and amortization expense		140,845	
Change in unrealized loss on investments		(5,521,990)	
Equity in net loss of Central Valley		(140,503)	
Capitalized capital projects		(1,196,260)	
Capitalized infrastructure purchases		316,267	
		<u>6,642,913</u>	
CHANGE IN NET ASSETS		<u>\$ 442,965</u>	

**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, 2011, and have issued our report thereon dated June 20, 2012. 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

Management of the District is responsible for establishing and maintaining effective 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*.

Salt Lake - 155 North 400 West, Suite 400 • Salt Lake City, Utah 84103 • 801-328-2011 • Fax 801-328-2015
Las Vegas - 1820 East Warm Springs Road, Suite 112 • Las Vegas, Nevada 89119 • 702-451-3099 • Fax-702-568-5030

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

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 pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wison, Smith, Rothen + Prescott, LLP

Salt Lake City, Utah
June 20, 2012

**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 the Granger-Hunter Improvement District (the District)'s compliance with general state compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended December 31, 2011. 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, 2011.

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, 2011.

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 20, 2012