GRANGER-HUNTER IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

December 31, 2018

GRANGER-HUNTER IMPROVEMENT DISTRICT
TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Granger-Hunter Improvement District

Report on the Financial Statements

We have audited the accompanying financial statements of the Granger-Hunter Improvement District (the District), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Granger-Hunter Improvement District as of December 31, 2018, and the respective change in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as noted 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 audit evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated May 6, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keddington & Christensen

Keddington & Christensen, LLC
Salt Lake City, Utah
May 6, 2019

GRANGER-HUNTER IMPROVEMENT DISTRICT
MANAGEMENT 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 year ending December 31, 2018. 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 Total Assets and Deferred Outflows of Resources of the District exceeded its Total Liabilities and Deferred Inflows of Resources at the close of the most recent fiscal year by $149,264,613 (net position). Of this amount, $41,353,636 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by $5,612,280. The increase is partially due to developer-contributed water and sewer lines in the amount of $747,691. Total Revenues were $597,523 higher than budgeted, primarily the result of a very dry season causing more water sales, and due to better than anticipated impact fees from development. The District also was able to contain expenses in several areas, as noted hereafter, resulting in improved net position. The District's share of Central Valley Water Reclamation Facility (CVWRF) expenses was $1,350,580 less than anticipated due to reduced operating and betterment costs, and our equity in CVWRF improved by $1,786,582. District wages and benefits were $754,015 less than anticipated, largely due to proactive maintenance reducing after-hours repairs and overtime and as a result of holding down health insurance costs. Finally, the District was able to pump more of its own water, saving over $230,000 on budgeted water purchases. The remaining improvement in net position (approximately $146,000) is the net effect of over and under budget situations in all other operating categories.
- The District's total long-term debt decreased by $450,981 during the current fiscal year, as represented in Note 4 to the financial statements. No new debts were incurred during 2018.

Budgetary Highlights

During the year the District experienced slightly higher than anticipated Total Revenues and significantly lower than anticipated expenses in several categories. As noted previously, Total Revenues were better than budget by $597,523, and Total Expenditures were below budget by $3,387,318. Therefore, the District's net position did not deteriorate from the prior year. The following analysis is offered as explanation of variances from budget that were greater than $200,000.

- Metered water sales were $465,894 higher than budget due to drought conditions and increased water sales.
- Salaries and wages were budgeted at $4,923,380, but actual expenditures were $4,703,053, a difference of $220,327 under budget. The difference was the result of a few higher paid employees retiring during the year, an aggressive maintenance program resulting in fewer system problems that otherwise would have required overtime pay, and delays in filling vacancies as they occurred.
- Employee benefits, budgeted at $4,923,380, were only $4,703,053, a difference of $533,688 under budget. This reflects the impact of being able to hold insurance costs down through our high deductible plan and careful use of insurance by employees, resulting in a lower than anticipated rate increase. Other benefits were also reduced through delayed filling of positions, as noted above.

- Materials and supplies were budgeted at $824,163, and actual expenditures were $615,671, leaving this line item $208,492 under budget. As noted previously, the District's proactive maintenance program continues to keep breaks and leaks lower than in the past by properly lining and maintaining the District's pipes. We must budget to be prepared for any significant events, yet we try to prevent them from happening, as we generally were able to do this past year, resulting in lower expenditures than were budgeted.
- Water purchases were budgeted at $10,198,125, while actual expenditures were $9,967,508, an under budget variance of $289,492. The District continues to try to pump from wells during peak demand times in order to reduce costs for purchasing water and to improve overall efficiency. We were able to purchase our required minimum take-or-pay volume and the unused allocation remaining from 2017 and still purchase less than budgeted by utilizing our own wells.
- Central Valley expense, for wastewater processing and related facility construction, was budgeted at $6,706,448 while actual was $5,355,868, or $1,350,580 under budget. CVWRF has undertaken a very aggressive plan for refurbishing and/or replacing portions of the plant. However, they were unable to complete as much as intended this year, resulting in capital and debt service expenditures approximately $824,000 less than budgeted. Due to this failure to complete some projects, related operating and maintenance costs were also less than budgeted (by approximately $527,000).
- The equipment and tools purchases budget was $367,800 while actual expenditures were $21,352, resulting in expenditures of $346,448 less than budgeted. This was due partially to savings on multiple pieces of equipment. Also, items totaling $330,000 were budgeted in this account, but the expenditures were reclassified as capital and infrastructure purchases because they met the capitalization threshold.
- Infrastructure purchases of $9,917,500 were budgeted while actual expenditures totaled $7,576,398, a difference of $2,341,102 under budget. Twelve projects were in some stage of construction at year end, resulting in $1,838,000 being carried over to the next year's budget. The remaining $503,102 not expended was the result of projects that cost less than estimated and some projects that were not even started during 2018.

<u>Overview of the Financial Statements</u>

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

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

	2018	2017	2016
Current and other assets	$ 50,573,616	$ 47,337,844	$ 45,811,007
Capital assets, net	107,984,953	107,203,411	104,025,420
Total Assets	158,558,569	154,541,255	149,836,427
Deferred outflows of resources	1,437,756	1,737,908	1,584,893
Current liabilities	2,739,814	3,723,663	3,930,683
Long-term liabilities	7,080,268	8,451,017	8,648,939
Total Liabilities	9,820,082	12,174,680	12,579,622
Defere red inflows of resources	911,630	452,150	268,006
Net investment in capital assets	103,330,953	102,275,411	98,069,420
Restricted	4,580,024	4,491,159	4,664,200
Unrestricted	41,353,636	36,885,763	35,840,072
Total Net Position	$ 149,264,613	$ 143,652,333	$ 138,573,692

The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position which are categorized as investment in capital assets, restricted, or unrestricted. As can be seen from the preceding schedule, net position changed from $143,652,333 to $149,264,613, an increase of $5,612,280 at the end of the current year, approximately 3.9% of prior year's total net position. The largest portion of the District's net position, $107,984,953 (72.3%), reflects its investment in capital assets (e.g., land, buildings, water and sewer system facilities, and equipment). The District uses these capital assets in its daily operations; consequently, they are not available for future spending. An additional portion of the District's net position, $4,580,024 (3.1%), represents "Restricted" resources that are subject to external restrictions on how they may be used.

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

	2018	2017	2016
Operating revenues	$ 31,895,161	$ 30,226,735	$ 28,014,418
Operating expenses	(34,019,513)	(31,395,950)	(30,092,700)
Operating income (loss)	(2,124,352)	(1,169,215)	(2,078,282)
Non-operating revenues, net	7,376,010	5,807,381	5,447,436
Non-operating expenses	(387,069)	(946,656)	(1,761,605)
Change in net position before capital contributions	4,864,589	3,691,510	1,607,549
Capital contributions	747,691	1,387,131	1,355,406
Change in net position	5,612,280	5,078,641	2,962,955
Total Net Position:			
Net position at beginning of year	143,652,333	138,573,692	135,610,737
Total Net Position, End of Year	$ 149,264,613	$ 143,652,333	$ 138,573,692

Capital Asset Activity

The District's investment in capital assets as of December 31, 2018, amounts to $107,984,953 (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 .73% overall.

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

- Construction of new and replacement water lines in multiple locations.
- Continued replacement of old meters with new units which will facilitate remote reading and real-time monitoring.
- Continuation of sewer main lining project and reconstruction/rehabilitation of other sewer lines.
- Water and sewer lines contributed to the District by developers.
- Headquarters office remodel.
- Well 12 Generator and pad.
- Replacement of the East Rec force main sewer line.
- Purchase of a closed circuit tv truck and large line kit for inspecting sewer lines and laterals.

	2018	2017	2016
Land	$ 2,921,736	$ 2,921,736	$ 2,921,736
Buildings and improvement	4,078,284	3,573,201	3,879,228
Water system	47,960,787	48,843,710	42,614,527
Sewage pumping plant	12,941,327	13,657,177	13,557,139
Sewage collection lines	31,924,880	33,113,352	31,529,292
Transportation equipment	624,346	595,120	759,808
Engineering and other equipment and tools	3,775,625	3,463,834	2,519,033
Office funiture and equipment	125,135	11,074	22,261
Construction in progress	3,632,833	1,024,207	6,222,396
Total Property and Equipment, net	$ 107,984,953	$ 107,203,411	$ 104,025,420

Debt Administration

At the end of the current fiscal year, the District had total long-term debt of $5,679,065. The debt represents bonds, secured solely by specified revenue sources, and post-employment liabilities. The liability relating to the District's outstanding bond debt decreased by $274,000. The liability for termination benefits decreased by $176,981. The combined total of all long-term debt decreased from $6,130,046 at December 31, 2017 to $5,679,065 at December 31, 2018, a change of $450,981. The District has no outstanding general obligation debt.

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

Requests for information

This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the Controller of the Granger-Hunter Improvement District, 2888 South 3600 West, West Valley City, Utah 84119 or by telephone (801) 968-3551.

BASIC FINANCIAL STATEMENTS

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2018

Assets		
Current Assets:		
Unrestricted Cash and cash equivalents	$	6,032,354
Marketable Securities		15,018,936
Receivables:		
Property taxes		86,231
Accounts receivable, net		2,683,760
Inventory		1,069,731
Prepaids		6,430
Restricted cash and cash equivalents		461,914
Restricted marketable securities		4,118,110
Total Current Assets		29,477,466
Non-current Assets:		
Capital Assets - net of depreciation		107,984,953
Total Non-current Assets		107,984,953
Other Assets:		
Investment in Central Valley Water Reclamation Facility		21,096,150
Total Other Assets		21,096,150
Total Assets	$	158,558,569
Deferred Outflows of Resources		
Deferred outflows relating to pensions		1,437,756
Total Deferred Outflows of Resources		1,437,756
Total Assets and Deferred Outflows of Resources	$	159,996,325

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION (Continued)
December 31, 2018

Liabilities		
Current Liabilities:		
Accounts payable	$	1,596,129
Accrued liabilities		748,008
Accrued interest		96,958
Customer water deposits		17,719
Long-term debt due within one year		281,000
Total Current Liabilities		2,739,814
Non-Current Liabilities:		
Long-term debt due in more than one year		4,373,000
Post employment termination liabilities		1,025,065
Net pension liability		1,682,203
Total Non-Current Liabilities		7,080,268
Deferred Inflows of Resources		
Deferred inflows relating to pensions		911,630
Total Liabilities and Deferred Inflows of Resources		10,731,712
Net Position		
Net investment in capital assets		103,330,953
Restricted for capital projects		4,580,024
Unrestricted		41,353,636
Total Net Position		149,264,613
Total Liabilities, Deferred Inflows of Resources, and Net Position	$	159,996,325

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For The Year Ended December 31, 2018

Operating Revenues	
Metered water sales	$ 18,310,894
Sewer service charges	13,296,632
Other	287,635
Total Operating Revenues	31,895,161
Operating Expenses	
Direct operation and maintenance	17,231,184
General and administrative	9,250,257
Depreciation	7,538,072
Total Operating Expenses	34,019,513
Operating Income (Loss)	(2,124,352)
Non-Operating Revenues (Expenses)	
Property tax revenue	4,067,013
Impact fees	947,361
Interest income	527,488
Interest expense	(117,491)
Donation to other governmental entities	(185,787)
Gain (loss) on disposal of assets	47,566
Unrealized loss on marketable securities	(83,791)
Equity in net gain/(loss) of Central Valley Water Reclamation Facility	1,786,582
Total Non-Operating Revenues (Expenses)	6,988,941
Change In Net Position Before Contributed Capital	4,864,589
Contributed Capital	747,691
Change In Net Position	5,612,280
Net Position at Beginning of Year	143,652,333
Net Position at End of Year	$ 149,264,613

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2018

Cash Flows From Operating Activities	
Receipts from customers and users	$ 31,808,783
Payments to suppliers	(21,741,641)
Payments to employees	(6,155,369)
Net Cash From Operating Activities	3,911,773
Cash Flows From Noncapital Financing Activities	
Property tax receipts	3,874,024
Net Cash From Noncapital Financing Activities	3,874,024
Cash Flows From Capital and Related Financing Activities	
Impact fees received	947,361
Purchase of property and equipment	(7,576,397)
Proceeds from sale of property and equipment	52,037
Principal paid on bonds	(274,000)
Interest paid on bonds	(123,200)
Net Cash From Capital and Related Financing Activities	(6,974,199)
Cash Flows From Investing Activity	
Cash paid for purchase of investments	(11,481,961)
Cash from sale of investments	11,097,577
Cash paid for investment in Central Valley Water Reclamation Facility	(594,415)
Interest income	527,488
Net Cash From Investing Activity	(451,311)
Net Increase (Decrease) in Cash and Cash Equivalents	360,287
Cash and Cash Equivalents, Beginning of Year	6,133,981
Cash and Cash Equivalents, End of Year	$ 6,494,268
Cash and Cash Equivalents recorded in the Statement of Net Position	
Unrestricted	$ 6,032,354
Restricted	461,914
Total Cash and Cash Equivalents recorded in the Statement of Net Position	$ 6,494,268

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS (Continued)
For The Year Ended December 31, 2018

Reconciliation of Operating Loss to Net Cash From Operating Activities:		
Operating Loss	$	(2,124,352)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense		7,538,072
(Increase) Decrease in assets		
Receivables		
Accounts receivable, net		(85,073)
Property taxes		
Inventory		(95,187)
Prepaids		(6,430)
Deferred outflows		300,152
Increase (Decrease) in liabilities		
Accounts payable		(1,040,412)
Accrued liabilities		56,577
Customer water deposits		(1,305)
Post-employment termination liabilities		(176,981)
Net pension liability		(912,768)
Deferred inflows		459,480
Net Cash From Operating Activities	$	3,911,773
Noncash Investing, Capital, and Financing Activities		
Gain in Central Valley Water Reclamation Facility equity	$	(1,786,582)
Contributed capital water and sewer lines received at fair market value	$	747,691

The accompanying notes are an integral part of this statement.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Reporting Entity
Granger-Hunter Improvement District (the District) was established by resolution of the Board of County Commissioners of Salt Lake County in 1950. Salt Lake County has no oversight responsibility over the District. The District is not a component unit of another government as defined by Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus,* since the District is a special district governed by a Board of Trustees which are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB Statement 39, *Determining Whether Certain Organizations Are Component Units,* which are included in the District's reporting entity.

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

The following is a summary of the more significant policies.

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

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

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents
The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. All non-restricted amounts are considered to be cash and cash equivalents for cash flow statement purposes.

The Public Treasurers' Investment Fund (PTIF) accounts of the District are stated at amortized cost, which approximates fair value in accordance with GASB No. 72, *Fair Value Measurement and Application*.

Investments
Investments are reported at fair value as prescribed in GASB No. 31.

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

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

Capital Assets
Capital Assets are stated at cost and are defined by the District as assets with a cost of $5,000 or more. Normal maintenance and repair expenses that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The net book value of property sold or otherwise disposed of is removed from the property and accumulated depreciation accounts and the resulting gain or loss is included as non-operating revenues or expenses.

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

Depreciation of property and equipment was computed using the straight-line method over the following estimated useful lives:

Sewer and Water Lines	10-60 years
Office Building	10-40 years
Furniture and Fixtures	5-10 years
Automobiles and Trucks	5-10 years
Tools and Equipment	5-10 years

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Contributed Capital

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

Joint Venture

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

Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. All full-time employees may carry a maximum of 312 hours accrued vacation time from year to year. They may accrue more during the year based on their regular earned vacation time, but only 312 hours can be carried over. All vested vacation benefits shall be paid upon termination of employment by resignation or termination.

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

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

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

Property Tax Revenues

Property tax rates are approved in June of each year by the Board of Trustees for the District. County Assessors assess a value (an approximation of market value) as of January 1 of each year for all real property, to which the property tax rates will apply for assessing property taxes. The property taxes assessed become delinquent after November 30. The District's certified tax rate in Salt Lake County for 2018 was .000519 for operations and maintenance. The District appropriates the entire amount to operations and maintenance. The statutory maximum set by the State for operations and maintenance is .000800.

Budgetary Accounting

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

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Allowance for Doubtful Accounts

Accounts receivable are stated net of allowance for doubtful accounts of $33,535. The allowance for doubtful accounts is based on the District's prior collection experience. Uncollected fees are certified to the county and attached as liens on the related real estate where allowable.

Cash Bonds from Developers

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

Estimates and Assumptions

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2 DEPOSITS AND INVESTMENTS

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

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

The District follows the requirements of the Utah Money Management Act (Act) (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and investment transactions. This law requires the depositing of District funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the state commissioner of financial institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits
Cash includes amounts in demand deposits including the portion of the PTIF that is considered as a demand deposit.

Custodial credit risk – deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of December 31, 2018, $5,973,694 of the District’s deposit bank balances of $6,473,697 was uninsured and uncollateralized.

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

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

Custodial credit risk – investments is the risk that in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk beyond the provisions of the Act. As of December 31, 2018, the District’s sweep account balance was uninsured.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The District’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Title 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years. The fair value of the District’s investment in the PTIF is $4,522,483 with a carrying value of $4,523,715.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories, repurchase agreements, commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poors, bankers’ acceptances, obligations of the U.S. Treasury and U.S.

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

government sponsored enterprises, bonds and notes of political subdivisions of the State of Utah, fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations, and shares in a money market fund as defined in the Act.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio. The District does not have any corporate obligations from a single issuer that are over 5% of the portfolio.

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

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participants' share to the total funds in the PTIF based on the participants' average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available from the Utah State Treasurer's Office. As of December 31, 2018, the Utah Public Treasurer's Investment Fund was unrated.

Fair Value of Investments

The District measures its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

		Fair Value Measurements Using		
	12/31/2018	Level 1	Level 2	Level 3
Investments by fair value level				
Utah State Treasurer's investment pool	$ 4,523,715	$ -	$ 4,522,483	$ -
Corporate Notes	10,167,108	$ 10,167,108	$ -	-
Governmental Notes	8,969,938	$ 8,969,938	$ -	-
Total investments by fair value level	**$ 23,660,761**	**$ 19,137,046**	**$ 4,522,483**	**$ -**

The fair value of the PTIF investments is measured using the Level 2 inputs as noted above.

The following is a summary of the District's cash and investments as of December 31, 2018:

	Carrying Value	Fair Value Factor	Fair Value	Credit Rating	Weighted Ave. Maturity (Years)
Cash on hand and on deposit:					
Cash on deposit	$ 1,508,639	1	$ 1,508,639	N/A	N/A
Bond Reserves	461,914	1	461,914	N/A	N/A
Utah State Treasurer's investment pool accounts	4,523,715	0.99972772	- 4,522,483	N/A	N/A
Total cash on hand and deposit	$ 6,494,268		$ 6,493,036		
Investments					
Corporate Notes	$10,167,108	1	10,167,108	A	1.50
Governmental Notes	8,969,938	1	8,969,938	AAA	1.73
Total Investments	$19,137,046		$19,137,046		
Portfolio weighted average maturity					1.61

The following is a summary of the District's cash and investments as of December 31, 2018:

	Carrying Amount
As Reported on the Statement of Net Position:	
Unrestricted cash and cash equivalents	$ 6,032,354
Restricted cash and cash equivalents	461,914
Marketable securities	19,137,046
Restricted marketable securities	-
Total Cash and Investments	$ 25,631,314
Components of Cash and Investments:	
Bond Reserves	$ 461,914
Utah Public Treasurers Fund	4,523,715
Sweep account	1,508,639
U.S. obligations and agencies	8,969,938
Corporate bonds	10,167,108
Total Cash and Investments	$ 25,631,314

NOTE 3 CAPITAL ASSETS

The following summarizes the District's capital assets for the year ended December 31, 2018:

	Beginning Balance	Additions / Transfers In	Deletions / Transfers Out	Ending Balance
Capital assets not being depreciated				
Land and water rights	$ 2,921,736	$ -	$ -	$ 2,921,736
Construction in progress	1,024,207	2,748,272	(139,646)	3,632,833
Total Capital Assets not being depreciated	3,945,943	2,748,272	(139,646)	6,554,569
Capital assets, being depreciated				
Buildings and improvements	8,701,664	806,794		9,508,458
Water System	91,869,367	2,211,979	(1,368,737)	92,712,609
Sewage pumping plant	23,243,923	-	-	23,243,923
Sewage collection lines	78,147,889	1,354,764	(236,301)	79,266,352
Transportation equipment	3,831,770	305,450	(101,268)	4,035,952
Engineering and other equipment	8,208,441	905,463	(126,761)	8,987,143
Furniture and fixtures	607,363	131,013	(125,146)	613,230
Total Capital Assets, being depreciated	214,610,417	5,715,463	(1,958,213)	218,367,667
Less accumulated depreciation				
Buildings and improvements	(5,128,463)	(301,711)		(5,430,174)
Water System	(43,025,657)	(3,094,898)	1,368,733	(44,751,822)
Sewage pumping plant	(9,586,746)	(715,850)	-	(10,302,596)
Sewage collection lines	(45,034,537)	(2,543,236)	236,301	(47,341,472)
Transportation equipment	(3,236,650)	(271,753)	96,797	(3,411,606)
Engineering and other equipment	(4,744,607)	(593,672)	126,761	(5,211,518)
Furniture and fixtures	(596,289)	(16,952)	125,146	(488,095)
Total accumulated depreciation	(111,352,949)	(7,538,072)	1,953,738	(116,937,283)
Capital Assets, being depreciated, net	103,257,468	(1,822,609)	(4,475)	101,430,384
Property and Equipment, Net	$ 107,203,411	$ 925,663	$ (144,121)	$ 107,984,953

Depreciation expense of $7,538,072 was charged to Operations/Administrative/Office expense for the year ended December 31, 2018.

NOTE 4 LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-Term Debt					
Revenue Bonds					
2012 Revenue bonds	$ 4,928,000	$ -	$ (274,000)	$ 4,654,000	$ 281,000
Total Revenue Bonds	4,928,000	-	(274,000)	4,654,000	281,000
Termination benefits payable	1,202,046	-	(176,981)	1,025,065	-
Total Long-Term Debt	$ 6,130,046	$ -	$ (450,981)	$ 5,679,065	$ 281,000

Total interest expense incurred on long-term debt for the year ended December 31, 2018 was $117,491, of which none was capitalized.

Revenue bonds consist of the following:

	2018
Water and Sewer Revenue Bonds, Series 2012, issued in January 2012 with the State of Utah Department of Environmental Quality, the total of the approved $6,202,000 bond amount has been drawn through December 31, 2015, interest payable due in annual installments on March 1st, and estimated annual principal installments ranging from $274,000 to $389,000, bearing interest at 2.5%, maturing in March 2032.	$ 4,654,000
Total revenue bonds	$ 4,654,000

The following summarizes the District's revenue bonds debt service requirements as of December 31, 2018.

Year ending December 31,	Principal	Interest	Total
2018	$ 281,000	$ 116,350	$ 397,350
2019	288,000	109,325	397,325
2020	295,000	102,125	397,125
2021	303,000	94,750	397,750
2022	311,000	87,175	398,175
2023-2027	1,677,000	315,225	1,992,225
2028-2032	1,499,000	94,850	1,593,850
	$ 4,654,000	$ 919,800	$ 5,573,800

NOTE 5 POST-EMPLOYMENT TERMINATION LIABILITIES

Post-employment 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, 2018, the remaining liability is $860,955, of which none is current. The remaining liability represents a decrease $175,935 from the prior year.

Retirement Buyout
During 2007, the District also elected to begin accruing a liability for the potential purchase of future service credit from the Utah Retirement Systems (URS) for qualified employees. To qualify for retirement buyout from URS, an employee must have a minimum of 25 years of eligible service for a Tier 1 employee, or 30 years of service for a Tier 2 employee. 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 2 eligible employees as of December 31, 2018. 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 $164,110. The remaining liability represents a decrease $1,045 from the prior year.

NOTE 6 RETIREMENT AND BENEFIT PLANS

Utah Retirement Systems Pension Plan

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

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Benefits provided: URS provides retirement, disability, and death benefits.

Retirement benefits are as follows:

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

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

Contributions Rate Summary

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of December 31, 2018 are as follows:

Utah Retirement Systems	Employee	Employer	Employer 401(k)
Contributory System			
111 - Local Governmental Division Tier 2	N/A	15.54	1.15
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	18.47	N/A
Tier 2 DC Only			
211 - Local Governmental	N/A	6.69	10.00

****Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.*

For fiscal year ended December 31, 2018, the employer and employee contributions to the Systems were as follows:

System	**Employer Contributions**	**Employee Contributions**
Noncontributory System	$ 573,793	N/A
Tier 2 Public Employees System	197,319	-
Tier 2 DC Only System	3,683	N/A
Total Contributions	$ 774,795	$ -

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

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

At December 31, 2018, we reported a net pension asset of $0 and a net pension liability of $1,682,202.

	(Measurement Date): December 31, 2017				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2015	Change (Decrease)
Noncontributory System	$ -	$ 1,672,793	0.3818030%	0.4027547%	(0.0209517)%
Tier 2 Public Employees System	-	9,409	0.1067205%	0.0788265%	0.0278940%
Total Net Pension Asset / Liability	$ -	$1,682,202			

The net pension asset and liability were measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended December 31, 2018, we recognized pension expense of $621,787.

At December 31, 2018, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 37,666	$ 111,184
Changes in assumptions	613,523	40,037
Net difference between projected and actual earnings on pension plan investments	-	596,264
Changes in proportion and differences between contributions and proportionate share of contributions	11,771	164,145
Contributions subsequent to the measurement date	774,795	-
Total	$ 1,437,755	$ 911,630

The $774,795 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2017.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

Year Ended December 31,	Deferred Outflows (inflow) of Resources
2018	$ 24,264
2019	74,027
2020	(147,568)
2021	(208,450)
2022	(1,958)
Thereafter	11,016

Actuarial assumptions: The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 – 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2017, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

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

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Total	100%		4.75%
Inflation			2.50%
Expected Arithmetic Nominal Return			7.25%

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, and a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95 percent from 7.20 percent from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	$ 4,524,019	$ 1,672,793	$ (697,859)
Tier 2 Public Employee Sestem	$ 110,789	$ 9,409	$ (68,769)
Total	$ 4,634,808	$ 1,682,202	$ (766,628)

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

<u>Defined Contribution Savings Plans</u>

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

The District participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

*401(k) Plan
*457(b) Plan
*Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended December 31, were as follows:

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

	2018	2017	2016
401(k) Plan			
Employer Contributions	$ 22,759	$ 17,734	$ 11,507
Employee Contributions	2,100	-	-
457 Plan			
Employer Contributions	$ 1,678	$ 4,660	$ 27,707
Employee Contributions	$ 23,500	$ 17,878	$ 39,571
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	$ 15,058	$ 4,175	$ 225

NOTE 7 CENTRAL VALLEY WATER RECLAMATION FACILITY

During 1978, the District entered into a joint venture with four other special districts and two cities. The joint venture was organized to construct and operate a regional sewage treatment facility for the benefit of the seven members. The seven members and their related ownership interest, as of December 31, 2018, are as follows:

	Proportionate Share
Cottonwood Improvement District	17.32%
Mt. Olympus Improvement District	24.10%
Granger-Hunter Improvement District	22.40%
Kearns Improvement District	10.51%
Murray City	8.57%
South Salt Lake City	5.52%
Taylorsville-Bennion Improvement District	11.58%
Net Position	100.00%

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

NOTE 7 CENTRAL VALLEY WATER RECLAMATION FACILITY (Continued)

The District accounts for its investment in Central Valley Water Reclamation Facility (Central Valley) using the equity method of accounting. Summarized financial information of Central Valley as of December 31, 2018 and for the year then ended is as follows:

	2018	2017
Total assets	$ 134,832,508	$ 124,262,379
Total net positon	94,179,240	84,645,648
Operating revenues	18,230,389	15,237,162
Change in net position	9,533,592	1,144,589
The District's interest in:		
Net position	21,096,150	18,715,153
Net gain	2,380,997	130,394

In prior years the District has recorded its previous proportionate share (22.40%) of the government grants received by Central Valley as an addition to the District's investments in Central Valley and to the District's contributions in aid to construction. All expenses (except depreciation) incurred by Central Valley are billed to its members. Accordingly, the District's equity in net losses of Central Valley annually is billed to the District. The District's equity in net losses of Central Valley annually approximates its share of Central Valley's depreciation expense. Audited statements are available at Central Valley Water Reclamation Facility, 800 West Central Valley Road, Salt Lake City, Utah 84119.

The District incurred the following costs from the joint venture for the year ended December 31, 2018:

Interceptor Monitoring - C.V.	$ 2,287
Pretreatment Field - C.V.	274,474
Laboratory - C.V.	220,523
Administration	$ 497,284
Operations and maintenance	3,616,021
Total	$ 4,113,305

The District owed a balance of $293,313 to Central Valley as of December 31, 2018 for wastewater treatment. This amount is included in accounts payable in the statement of net position.

NOTE 8 COMMITMENTS AND CONTINGENCIES

An agreement has been made with Jordan Valley Water Conservancy District (JVWCD), which provides, in general, that the District will purchase a minimum amount of water each year from the JVWCD (18,500 acre feet in 2018). During 2017, the District purchased approximately 363 acre feet less than contracted, and JVWCD allowed the District to take the remaining 363 acre feet in 2018. During 2018, the District purchased 19,157 acre feet, 657 more than contracted, which fulfilled its obligation for both the remaining 2017 contracted amount and the commitment for 2018. The cost of the 2018 water purchases was $9,967,508.

During the year the District entered into contracts for construction of water and sewer facilities. As of December 31, 2018, there was approximately $5,038,671 outstanding on these contracts.

The District’s 2012 series bonds require net revenue of 125% of the current bond principal payments. The District met the net revenue requirement for the year ended December 31, 2017.

During 2017 the District entered into a pledge with Central Valley Water Reclamation Facility (CVWRF). The pledge commits the District to make monthly payments to CVWRF for its share of 2017A series sewer revenue bonds issued by CVWRF for infrastructure rehabilitation and construction. Three of the participants in the CVWRF joint venture pledged cash for their share of the infrastructure costs, while the District and three other entities pledged to service the bonds which were issued in the amount of $28,600,000. This District’s pledge at December 31, 2018 represents a 41.81% share of the outstanding bond principal at December 31, 2018 of $27,695,000, or a commitment of $11,582,049. All seven entities which participate in the joint venture have pledged to cover any debt service shortfall should another entity fail to meet its commitment.

NOTE 9 RISK MANAGEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Measurement Date of December 31, 2017
DECEMBER 31, 2018
Last 10 Fiscal Years*

For the year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
Noncontributory System					
2017	0.3818030%	$ 1,672,793	$ 3,168,975	52.79%	91.9%
2016	0.4027547%	2,586,178	3,491,188	74.08%	87.3%
2015	0.4334689%	2,452,778	3,712,393	66.07%	87.8%
2014	0.4357104%	1,891,957	3,741,284	50.60%	90.2%
Tier 2 Public Employees Systtem					
2017	0.1067205%	$ 9,409	$ 1,043,478	0.90%	97.4%
2016	0.0788265%	8,793	646,440	1.36%	95.1%
2015	0.0639096%	(140)	412,991	-0.03%	100.2%
2014	0.0523450%	(1,586)	256,880	-0.60%	103.5%

** The 10-year schedule will be built prospectively.*

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2018
Last 10 Fiscal Years**

	As of fiscal year ended December 31,	Actuarial Determined Contributions	Contributions Related to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2014	$ 669,263	$ 669,263	$ -	$ 3,743,874	17.88%
	2015	685,137	685,137	-	3,758,692	18.23%
	2016	644,822	644,822	-	3,648,277	17.67%
	2017	585,239	585,239	-	3,188,044	18.36%
	2018	573,793	573,793	-	3,168,591	18.11%
Tier 2 Public Employees System*	2014	$ 37,121	$ 37,121	$ -	$ 255,873	14.51%
	2015	61,914	61,914	-	414,914	14.92%
	2016	96,384	96,384	-	647,946	14.88%
	2017	156,717	156,717	-	1,047,558	14.96%
	2018	197,319	197,319	-	1,287,113	15.33%
Tier 2 Public Employees DC Only System*	2014	$ 150	$ 150	$ -	$ -	0.00%
	2015	38	38	-	562	6.72%
	2016	-	-	-	-	0.00%
	2017	243	243	-	3,663	6.62%
	2018	3,683	3,683	-	49,486	7.44%

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 Systems.
Tier 2 systems were created effective July 1, 2011.

** This schedule will be built out prospectively to show a 10-year history in RSI. Contributions as a percentage of covered payroll may be different than the board certified rate due to rounding and other administrative issues.

Changes in assumptions:

As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which also resulted in a corresponding decrease in the cost-of-living-adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

SUPPLEMENTARY INFORMATION

GRANGER-HUNTER IMPROVEMENT DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended December 31, 2018

	Budget	Actual	Variance
Revenues			
Metered water sales	$17,845,000	$ 18,310,894	$ 465,894
Sewer service charges	13,357,000	13,296,632	(60,368)
Interest income	400,000	527,488	127,488
Property taxes	4,209,000	4,067,013	(141,987)
Engineering	5,500	5,800	300
Impact fees	750,000	947,361	197,361
Connection and turn-off fees	78,000	78,671	671
Inspection	65,000	67,147	2,147
Other income	130,000	136,017	6,017
Total Revenues	36,839,500	37,437,023	597,523
Expenditures			
Salaries and wages	4,923,380	4,703,053	(220,327)
Employee benefits	3,143,312	2,609,624	(533,688)
Materials and supplies	824,163	615,671	(208,492)
Postage and mailing	164,500	150,102	(14,398)
Water purchased	10,198,125	9,967,508	(230,617)
Computer system	375,460	318,539	(56,921)
Building maintenance	100,600	102,999	2,399
Water quality expense	182,259	120,829	(61,430)
Bank expenses	280,800	336,693	55,893
Gas and diesel	201,000	207,835	6,835
Insurance	406,600	431,768	25,168
Utilities	1,093,008	1,051,456	(41,552)
Telephone	85,000	77,591	(7,409)
Professional fees	231,300	192,709	(38,591)
Seminars and training	129,975	95,033	(34,942)
Interest expense	123,200	117,491	(5,709)
Central Valley expense	6,706,448	5,355,868	(1,350,580)
Equipment and tools purchases	367,800	21,352	(346,448)
Contingency	180,000	-	(180,000)
Vehicle Lease	182,000	187,415	5,415
Safety expense	35,970	38,302	2,332
Pension adjustment	-	(153,136)	(153,136)
Miscellaneous	51,350	50,230	(1,120)
Total Expenditures	29,986,250	26,598,932	(3,387,318)
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 6,853,250	$ 10,838,091	$ 3,984,841
Infrastructure purchases	9,917,500	7,576,398	(2,341,102)

Reconciliation of Excess (Deficiency) of Revenues Over Expenditures to Change in Net Position	$ 10,838,091
Capital contributions	747,691
Depreciation	(7,538,072)
Equity in net gain/(loss) of Central Valley	1,786,582
Gain/(Loss) on fixed asset retirement	47,566
Change in unrealized loss on investments	(83,791)
Donation to other entities	(185,787)
Change in Net Position	$ 5,612,280