GRANGER-HUNTER IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

December 31, 2022

GRANGER-HUNTER IMPROVEMENT DISTRICT
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CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Granger-Hunter Improvement District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Granger-Hunter Improvement District (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Granger-Hunter Improvement District as of December 31, 2022, and the respective change in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

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- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 1, 2023 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 of 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.

K&C, CPAs

K&C, Certified Public Accountants
Salt Lake City, Utah
May 1, 2023

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, 2022. We encourage readers to consider the financial information presented here in conjunction with the financial statements and accompanying notes which follow this section.

Introduction

The District strives to improve the quality of life today – creating a better tomorrow for its residents by delivering drinking water that is clean and safe for daily use and collecting wastewater responsibly to protect public health and the environment.

The District owns and operates eight (8) wells, nine (9) culinary water storage reservoirs, six (6) pumping stations, 12 lift stations, over 380 miles of water pipelines and over 314 miles of wastewater pipelines. The District provides water and wastewater services to approximately 134,000 residents living in West Valley City, parts of Taylorsville City and parts of Kearns City:

- 25,833 residential households
- 225 institutional customers
- 1,017 commercial customers
- 17 industrial customers

Financial Highlights

- In an effort to keep up with necessary infrastructure improvements, ongoing maintenance and rising inflation costs, the District increased water rates by 16% and wastewater rates by 19% in 2022.

- 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 $171,128,825 (net position). Of this amount, $59,060,829 (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 $5,949,399 as of December 31, 2022. The increase was due increases in the District's capital assets, investment in Central Valley Water Reclamation Facility (CVWRF), partially offset by lower marketable securities to pay for the capital asset additions, higher outstanding accounts payable balances and increases to long-term debt.

- The District's total long-term debt increased by $2,991,201 during the current year, as described in Note 4 to the financial statements. The increase was primarily caused by $4,200,800 in disbursements against the 2019 Water and Sewer Bonds outstanding balance, partially offset by principal payments on outstanding bonds, and reductions to capital leases and post-retirement benefits. To date, $13,500,800 of the 2019 Water and Sewer Bonds have been disbursed to the District, leaving $6,499,200 available for future projects.

Budgetary Highlights

During 2022, the District's net revenue, when compared to budget, was $4,701,670 higher than anticipated. When you remove the savings generated from the equity method of accounting for Central Valley Water, non-cash pension related expenditures, capitalized vehicles and GASB 87 accounting methodology, the realized cash savings for the District is approximately $1.8M. The budget surplus was due to lower than anticipated expenditures in several categories, partially offset by lower than anticipated revenues. Total revenues were less than budget by $712,688, and total operating expenditures were below budget by

$12,444,673 (see Budget To Actual Comparison on page 37 of this report). The following analysis is offered as explanation of variances from budget that were greater than $200,000.

- Metered water sales were $2,116,720 lower than budget due to customers using less water during the year as a result of strong conservation messaging due to drought conditions.
- Sewer service charges were $564,747 lower than budget due to lower than anticipated winter indoor water use. Sewer service charges have a component that is based on average indoor water use from December – April billing periods.
- Interest income was $296,831 higher than budget due to increases in earned interest income rates.
- Property taxes were $271,888 higher than budget due to higher population growth and higher RDA revenue.
- Development construction remained stronger than anticipated, resulting in impact fees that were $1,208,929 higher than budget.
- Employee benefits were $300,672 under budget, due to several open positions during the year.
- Materials and supplies were $427,113 under budget primarily due to supply chain issues when procuring various replacement meters.
- Utilities were $287,303 under budget primarily due to the District not running its water wells to utilize 100% of its take or pay contract with Jordan Valley Water Conservancy District.
- Interest expense and bond issuance costs were $539,769 under budget due to delays in capital projects delayed new bond issuance until 2023.
- Central Valley expense was $8,879,987 under budget, primarily due to the equity method of accounting for the District's ownership in the facility. When only considering Central Valley expense for operating expenditures, the operating expenses was only $82,365 under budget.
- Equipment and tools purchases were below budget by $641,776. Several pieces of equipment were capitalized during the year and are reflected in footnote Note 4 rather than as an expenditure.
- Infrastructure purchases were budgeted at $36,358,000 while actual expenditures totaled $19,193,215, a difference of $17,164,785 under budget. 15 projects were in some stage of construction at year end. Many of those projects were delayed for various reasons including labor shortages and supply chain issues. These delays resulted in over $14,000,000 being carried over to the next year's budget.

Overview of the Financial Statements

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

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

	2022	2021	Change
Current and other assets	$ 72,315,240	$ 71,727,176	$ 588,064
Capital assets, net	124,753,033	112,047,548	12,705,485
Total Assets	197,068,273	183,774,724	13,293,549
Deferred outflows of resources	1,318,185	1,093,087	225,098
Current liabilities	9,765,127	6,220,042	3,545,085
Long-term liabilities	14,716,336	11,977,594	2,738,742
Total Liabilities	24,481,463	18,197,636	6,283,827
Defered inflows of resources	2,776,170	1,490,749	1,285,421
Net investment in capital assets	109,211,288	99,519,571	9,691,717
Restricted	2,856,708	886,098	1,970,610
Unrestricted	59,060,829	64,773,757	(5,712,928)
Total Net Position	$ 171,128,825	$ 165,179,426	$ 5,949,399

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 $165,179,426 to $171,128,825, an increase of $5,949,399 at the end of the current year, approximately 3.6% of prior year's total net position. The largest portion of the District's net position, $109,211,288 (63.8%), reflects its investment in capital assets (e.g., land, buildings, water and sewer system facilities, and equipment). The District uses these capital assets in its daily operations; consequently, they are not available for future spending. An additional portion of the District's net position, $2,856,708 (1.7%), 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.

	2022	2021	Change
Operating revenues	$ 35,562,246	$ 33,815,338	$ 1,746,908
Operating expenses	(36,276,685)	(34,992,962)	(1,283,723)
Operating income (loss)	(714,439)	(1,177,624)	463,185
Non-operating revenues	8,604,066	5,270,267	3,333,799
Non-operating expenses	(3,633,765)	(1,059,384)	(2,574,381)
Total non-operating income	4,970,301	4,210,883	759,418
Change in net position before capital contributions	4,255,862	3,033,259	1,222,603
Capital contributions	1,693,537	1,841,084	(147,547)
Change in net position	$ 5,949,399	$ 4,874,343	$ 1,075,056

Capital Asset Activity

The District's investment in capital assets as of December 31, 2022, amounts to $124,753,033 (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 increased significantly from the previous year.

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

- Several large waterline replacements including Lake Park and Merry Lane, Redwood Road and other smaller residential neighborhoods
- Rushton water treatment facility
- Pioneer wastewater pump station replacement
- Kent booster pump replacement and tank purchase
- Building B remodel
- Sewer rehabilitation project
- Several new heavy machinery and vehicle purchases
- Water and sewer lines contributed to the District by developers.

	2022	2021	Change
Land	$ 3,126,322	$ 3,126,322	$ -
Buildings and improvement	5,764,978	4,314,010	1,450,968
Water system	53,081,651	54,079,525	(997,874)
Sewage pumping plant	11,894,438	12,523,827	(629,389)
Sewage collection lines	28,691,541	29,663,315	(971,774)
Transportation equipment	1,213,532	997,413	216,119
Engineering and other equipment and	3,752,843	4,109,840	(356,997)
Office funiture and equipment	221,218	30,746	190,472
Intangible lease assets	163,091	289,425	(126,334)
Construction in progress	16,843,419	2,913,125	13,930,294
Total Property and Equipment, net	$ 124,753,033	$ 112,047,548	$ 12,705,485

Debt Administration

At the end of the current fiscal year, the District had total long-term debt of $16,198,944. The debt represents bonds, secured solely by specified revenue sources, post-employment liabilities, and capital lease obligations. The liability relating to the District's outstanding bond debt increased by $3,126,800. The liability for termination benefits decreased by $22,567. The capitalization of lease obligations decreased by $113,032. The combined total of all long-term debt increased from $13,207,743 at December 31, 2021 to $16,198,944 at December 31, 2022, a change of $2,007,972. The District has no outstanding general obligation debt.

On August 12, 2022 the District was awarded a 30 year Federal SRF Loan through the Utah Department Division of Drinking Water in the amount of $13,811,820 at an interest rate of 0.5%. Included in the $13.8M SRF loan, $2,811,820 is considered principal forgiveness and will be recognized as income over the life of the loan. The District expects to close on the loan sometime during May 2023.

In addition, on April 18, 2022, the Board of Trustees authorized the District through a parameters document to issue a 20-year loan up to $30,000,000 direct placement loan at a maximum allowable rate of 5.5%. The District expects to close on the loan during May 2023.

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, 2022

Assets		
Current Assets:		
Unrestricted Cash and cash equivalents	$	10,620,319
Marketable Securities		13,812,896
Receivables:		
Property taxes		540,169
Accounts receivable, net		3,806,381
Inventory		813,287
Prepaids		119,289
Total Current Assets		29,712,341
Non-current Assets:		
Restricted cash and cash equivalents		946,747
Restricted marketable securities		1,909,961
Capital Assets - net of depreciation		124,753,033
Investment in Central Valley Water Reclamation Facility		37,811,522
Net pension asset		1,934,669
Total Non-current Assets		167,355,932
Total Assets	$	197,068,273
Deferred Outflows of Resources		
Deferred outflows relating to pensions		1,318,185
Total Deferred Outflows of Resources		1,318,185
Total Assets and Deferred Outflows of Resources	$	198,386,458

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION (Continued)
December 31, 2022

Liabilities		
Current Liabilities:		
Accounts payable	$	6,618,331
Accrued liabilities		891,643
Retainage		630,168
Accrued interest		127,799
Customer water deposits		14,578
Long-term liabilities due within one year		1,482,608
Total Current Liabilities		9,765,127
Non-Current Liabilities:		
Long-term liabilities, due in more than one year		14,716,336
Total Non-Current Liabilities		14,716,336
Deferred Inflows of Resources		
Deferred inflows relating to pensions		2,776,170
Total Deferred Inflows of Resources		2,776,170
Total Liabilities and Deferred Inflows of Resources		27,257,633
Net Position		
Net investment in capital assets		109,211,288
Restricted for:		
Restricted for capital projects		2,856,708
Unrestricted		59,060,829
Total Net Position		171,128,825
Total Liabilities, Deferred Inflows of Resources, and Net Position	$	198,386,458

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, 2022

Operating Revenues	
Metered water sales	$ 19,159,280
Sewer service charges	15,914,253
Other	488,713
Total Operating Revenues	35,562,246
Operating Expenses	
Direct operation and maintenance	18,670,275
General and administrative	9,702,772
Depreciation	7,903,638
Total Operating Expenses	36,276,685
Operating Income (Loss)	(714,439)
Non-Operating Revenues (Expenses)	
Property tax revenue	6,147,888
Impact fees	1,983,929
Interest income	421,831
Grant revenue	50,418
Interest expense	(163,509)
Donation to other governmental entities	(191,132)
Gain (loss) on disposal of assets	(45,672)
Unrealized loss on marketable securities	(379,249)
Gain/(loss) in equity investment of CVWRF	(2,854,203)
Total Non-Operating Revenues (Expenses)	4,970,301
Change In Net Position Before Contributed Capital	4,255,862
Contributed Capital	1,693,537
Change In Net Position	5,949,399
Net Position at Beginning of Year	165,179,426
Net Position at End of Year	$ 171,128,825

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2022

Cash Flows From Operating Activities	
Receipts from customers and users	$ 35,122,276
Payments to suppliers	(18,723,770)
Payments to employees	(6,980,054)
Net Cash From Operating Activities	9,418,452
Cash Flows From Noncapital Financing Activities	
Property tax receipts	5,509,562
Proceeds from grant	50,418
Net Cash From Noncapital Financing Activities	5,559,980
Cash Flows From Capital and Related Financing Activities	
Impact fees received	1,983,929
Purchase of property and equipment	(19,168,217)
Proceeds from issuance of bonds	4,200,800
Principal paid on bonds	(1,074,000)
Principal paid on leases	(113,032)
Proceeds from sale of property and equipment	206,959
Interest paid on long-term debts	(150,014)
Net Cash From Capital and Related Financing Activities	(14,113,575)
Cash Flows From Investing Activity	
Cash from sale of investments	5,500,000
Cash paid for investment in Central Valley Water Reclamation Facility	(7,252,219)
Interest income	148,818
Net Cash From Investing Activity	(1,603,401)
Net Increase (Decrease) in Cash and Cash Equivalents	(738,544)
Cash and Cash Equivalents, Beginning of Year	12,305,610
Cash and Cash Equivalents, End of Year	$ 11,567,066

Cash and Cash Equivalents recorded in the Statement of Net Position	
Unrestricted	$ 10,620,319
Restricted	946,747
Total Cash and Cash Equivalents recorded in the Statement of Net Position	$ 11,567,066

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, 2022

Reconciliation of Operating Loss to Net Cash From Operating Activities:

Operating Loss	$	(714,439)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense		7,903,638
Pension adjustment		(1,067,357)
Changes in:		
Accounts receivable, net		(439,675)
Inventory		(72,726)
Prepaids		359,436
Accounts payable		2,863,394
Accrued liabilities		94,669
Retainage		514,374
Customer water deposits		(295)
Post-employment termination liabilities		(22,567)
Net Cash From Operating Activities	$	9,418,452

Noncash Investing, Capital, and Financing Activities

Gain in Central Valley Water Reclamation Facility equity	$	2,854,203
Contributed capital water and sewer lines received at fair market value	$	1,693,537

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

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 $10,000 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 2022 was .000503 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

Account receivables are stated net of allowance for doubtful accounts of $25,222. 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.

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, 2022, $11,490,528 of the District's deposit bank balances of $11,740,528 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, 2022, 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 $11,409,173 with a carrying value of $11,421,743.

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

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 & Poor's, bankers' acceptances, obligations of the U.S. Treasury and U.S. government sponsored enterprises, bonds and notes of political subdivisions of the State of Utah, fixed rate corporate obligations and variable rate securities rated, when purchase, as "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 is 99 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, 2022, 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 By Level		
	12/31/2022	Level 1	Level 2	Level 3
Investments by fair value level				
Utah State Treasurer's investment pool	$ 3,730,387	$ -	$ 3,730,387	$ -
Certificates of Deposit	2,779,723	2,779,723	-	-
Money Market Mutual Funds	169,562	-	-	-
Corporate Notes	7,003,854	7,003,854	-	-
Governmental Notes	2,035,221	2,035,221	-	-
Total investments by fair value level	**$ 15,718,747**	**$ 11,818,798**	**$ 3,730,387**	$ -

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, 2022:

	Carrying Value	Fair Value Factor	Fair Value	Credit Rating	Weighted Ave. Maturity (Years)
Cash on hand and on deposit					
Cash on deposit	$ 2,933,073	1	$ 2,933,073	N/A	N/A
Bond Reserves	946,747	1	946,747	N/A	N/A
Utah State Treasurer's investment pool accounts	7,687,246	0.99889949	7,678,786	Unrated	0.27
Total cash on hand and deposit	11,567,066		11,558,606		
Investments					
UT ST Treasurer's PTIF	3,734,497	0.99889949	3,730,387		0.27
Certificates of Deposit	2,779,723	1	2,779,723		2.98
Money Market Mutual Funds	169,562	1	169,562		0.00
Corporate Notes	7,003,854	1	7,003,854	A- to AA-	0.56
Governmental Notes	2,035,221	1	2,035,221	AAA	1.83
Total Investments	15,722,857		15,718,747		
Total cash on hand and deposit and Investments	$ 27,289,923		$ 27,277,353		

The following is a summary of the District's cash and investments as of December 31, 2022:

	Carrying Amount
As Reported on the Statement of Net Position:	
Unrestricted cash and cash equivalents	$ 10,620,319
Restricted cash and cash equivalents	946,747
Marketable securities	13,812,896
Restricted marketable securities	1,909,961
Total Cash and Investments	$ 27,289,923

NOTE 3 CAPITAL ASSETS

The following summarizes the District's capital assets for the year ended December 31, 2022:

	Beginning Balance	Additions / Transfers In	Deletions / Transfers Out	Ending Balance
Capital assets not being depreciated				
Land and water rights	$ 3,126,322	$ -	$ -	$ 3,126,322
Construction in progress	2,913,125	16,777,611	(2,847,317)	16,843,419
Total Capital Assets not being depreciated	6,039,447	16,777,611	(2,847,317)	19,969,741
Capital assets, being depreciated				
Buildings and improvements	10,420,582	1,945,280	(1,008,136)	11,357,726
Water System	101,146,173	2,336,694	(553,345)	102,929,522
Sewage pumping plant	24,108,867	178,927	(101,627)	24,186,167
Sewage collection lines	83,218,648	1,282,578	(142,119)	84,359,107
Transportation equipment	4,592,653	594,403	(820,073)	4,366,983
Engineering and other equipment	11,003,273	398,987	(229,414)	11,172,846
Furniture and fixtures	486,291	219,589	(197,242)	508,638
Intangible Lease Assets	827,836	-	(277,280)	550,556
Total Capital Assets, being depreciated	235,804,323	6,956,458	(3,329,236)	239,431,545
Less accumulated depreciation				
Buildings and improvements	(6,106,572)	(388,095)	901,919	(5,592,748)
Water System	(47,066,648)	(3,226,265)	445,042	(49,847,871)
Sewage pumping plant	(11,585,040)	(779,838)	73,149	(12,291,729)
Sewage collection lines	(53,555,333)	(2,254,352)	142,119	(55,667,566)
Transportation equipment	(3,595,240)	(347,936)	789,725	(3,153,451)
Engineering and other equipment	(6,893,433)	(755,984)	229,414	(7,420,003)
Furniture and fixtures	(455,545)	(29,118)	197,243	(287,420)
Intangible Lease Assets	(538,411)	(122,050)	272,996	(387,465)
Total accumulated depreciation	(129,796,222)	(7,903,638)	3,051,607	(134,648,253)
Capital Assets, being depreciated, net	106,008,101	(947,180)	(277,629)	104,783,292
Property and Equipment, Net	$ 112,047,548	$ 15,830,431	$ (3,124,946)	$ 124,753,033

Depreciation expense of $7,903,638 was charged to expense for the year ended December 31, 2022.

NOTE 4 LONG-TERM LIABILITIES

The following is a summary of the changes in long-term obligations for the year ended December 31, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds - Direct Placements					
2019 Water & Sewer bonds	$ 8,458,000	$ 4,200,800	$ (753,000)	$ 11,905,800	$ 886,000
2021 Water & Sewer Refunding bonds	3,790,000	-	(321,000)	3,469,000	323,000
Total Revenue Bonds - Direct Placements	12,248,000	4,200,800	(1,074,000)	15,374,800	1,209,000
Leases	279,977	-	(113,032)	166,945	88,319
Termination benefits payable	679,766	13,669	(36,236)	657,199	185,289
Total Long-Term Liabilities	$ 13,207,743	$ 4,214,469	$ (1,223,268)	$ 16,198,944	$ 1,482,608

Total interest expense incurred on long-term debt for the year ended December 31, 2022 was $163,509, of which none was capitalized.

Revenue Bonds consist of the following:

Revenue Bonds - Direct Placement	**2022**
Water and Sewer Revenue Bonds, Series 2019, issued in July 2019 with the State of Utah Department of Environmental Quality, of the total of the approved $20,000,000 bond amount, $13,500,800 has been drawn through December 31, 2022, interest payable due in annual installments on April 1st, and estimated annual principal installments ranging from $310,000 to $1,199,000, bearing interest at 1.25%, maturing in April 2039.	$ 11,905,800
Water and Sewer Revenue Refunding Bonds, Series 2021, original issue of $3,790,000, issued in March 2021 with the State of Utah Department of Environmental Quality, principal and interest payable due in annual installments on March 1st, with annual principal installments ranging from $321,000 to $373,000, bearing interest at 1.5%, maturing in March 2032. The bonds were issued to refund the Water and Sewer Revenue Bonds, Series 2012. The refunding will save the District $241,930 of debt service expense over the life of the bonds, and will result in an economic gain of $221,895. The Water and Sewer Revenue Bonds, Series 2012 were issued for improvements in the District's system.	3,469,000
Total Revenue Bonds - Direct Placement	$ 15,374,800

NOTE 4 LONG-TERM LIABILITIES (Continued)

Leases Payable and other Long-Term liabilities consist of the following:

Leases Payable - Direct Borrowings	**2022**
Various leases entered into prior to 2020 with combined amounts as follows: original amount of $1,067,899, lease payments totaling $11,326 quarterly for several pieces of equipment and other lease payments totaling $13,841 monthly for multiple vehicles, interest rate of 2.5%, with final payments ranging from September to November 2021 for the quarterly payments and from June 2021 to May 2024 for the monthly payments. These leases have been used to purchase various vehicles and equipment used in operations.	$ 60,650
2020 - Various leases with combined amounts as follows: original amount of $200,970, monthly lease payments of $3,384, interest rates of 1.5%, with final payments due August 2025. These leases have been used to purchase various vehicles used in operations.	106,295
Total Capital Leases - Direct Borrowings	$ 166,945

Termination benefits payable	**2022**
Post-employment Health Care Benefits-Termination Benefits: See Note 5.	$ 359,541
Retirement Buyout: See Note 5.	297,658
Termination benefits payable	$ 657,199

The following summarizes the District's revenue bonds debt service requirements as of December 31, 2022.

Year ending December 31,	Principal	Interest	Total
2023	$ 1,209,000	$ 200,858	$ 1,409,858
2024	1,322,000	266,178	1,588,178
2025	1,340,000	248,838	1,588,838
2026	1,358,000	231,258	1,589,258
2027	1,379,000	213,440	1,592,440
2028-2032	7,172,000	790,860	7,962,860
2033-2037	1,594,800	188,425	1,783,225
2038-2039	-	-	-
Totals	$ 15,374,800	$ 2,139,855	$ 17,514,655

The summary of debt service requirements only includes current outstanding amounts due for the Series 2019 Bond as of December 31, 2022. However, the District will draw an additional $6,499,200 over the next few years which will extend the debt service requirement time ranges to 2039 to coincide with the note maturity in April 2039.

NOTE 4 LONG-TERM LIABILITIES (Continued)

The following summarizes the District's lease service requirements as of December 31, 2022.

Year ending December 31,	Principal	Interest	Total
2023	$ 88,319	$ 2,204	$ 90,523
2024	51,480	801	52,281
2025	27,146	151	27,297
Totals	$ 166,945	$ 3,156	$ 170,101

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, 2022, the remaining liability is $359,541, of which $112,271 is current.

Retirement Buyout

During 2007, the District also elected to begin accruing a liability for the potential purchase of future service credit from the Utah Retirement Systems (URS) for qualified employees. To qualify for retirement buyout from URS, an employee must have a minimum of 25 years of eligible service 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 5 eligible employees as of December 31, 2022. 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 $297,658, of which $73,018 is estimated to be current.

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. Utah Retirement Systems are comprised of the following pension trust funds:

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

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

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the 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.

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/general/publications.

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

<u>Retirement benefits are as follows:</u>

System	Final Average Salary	Years of Service required and/or age eligible for benefit	Benefit percentage 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%

** Actuarial reductions are applied*

*** 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 years.*

<u>Contributions Rate Summary</u>

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, 2022, are as follows:

Utah Retirement Systems	Employee	Employer	Employer 401(k)
Contributory System			
111 - Local Governmental Division Tier 2	N/A	16.01	0.18
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	17.97	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.19	10.00

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

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

For fiscal year ended December 31, 2022, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions		Employee Contributions	
Noncontributory System	$	509,718		N/A
Tier 2 Public Employees System		312,872		-
Tier 2 DC Only System		34,210		N/A
Total Contributions	$	856,800	$	-

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 Relating to Pensions

At December 31, 2022, we reported a net pension asset of $1,934,669 and a net pension liability of $0.

	(Measurement Date): December 31, 2021				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate share December 31, 2019	Change (Decrease)
Noncontributory System	$ 1,891,145	$ -	0.3302095%	0.3476725%	-0.0174630%
Tier 2 Public Employees System	43,524	-	0.1028368%	0.1020340%	0.0008028%
Total net pension asset/liability	$ 1,934,669	$ -			

The net pension asset and liability were measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2021, 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, 2022, we recognized pension expense of ($211,101).

At December 31, 2022, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	219,222	$	5,608
Changes in assumptions		218,074		12,618
Net difference between projected and actual earnings on pension plan investments		-		2,653,716
Changes in proportion and differences between contributions and proportionate share of contributions		24,088		104,228
Contributions subsequent to the measurement date		856,801		-
Total	$	1,318,185	$	2,776,170

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

The $856,801 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, 2021.

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:

Year Ended December 31,		Deferred Outflows (inflow) of Resources
2022	$	(508,486)
2023		(783,232)
2024		(636,907)
2025		(433,819)
2026		8,506
Thereafter		39,152

Noncontributory System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2022, we recognized pension expense of ($362,292).

At December 31, 2022, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	198,077	$	-
Changes in assumptions		177,491		12,207
Net difference between projected and actual earnings on pension plan investments		-		2,546,173
Changes in proportion and differences between contributions and proportionate share of contributions		93		104,228
Contributions subsequent to the measurement date		509,719		-
Total	$	885,380	$	2,662,608

The $509,719 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, 2021.

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
2022	$ (488,336)
2023	(757,384)
2024	(618,171)
2025	(423,056)
2026	-
Thereafter	-

Tier 2 Public Employees System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2022, we recognized pension expense of $151,191.

At December 31, 2022, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,145	$ 5,608
Changes in assumptions	40,583	411
Net difference between projected and actual earnings on pension plan investments	-	107,543
Changes in proportion and differences between contributions and proportionate share of contributions	23,995	-
Contributions subsequent to the measurement date	347,082	-
Total	$ 432,805	$ 113,562

The $347,082 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, 2021.

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:

Year Ended December 31,	Deferred Outflows (inflow) of Resources
2022	$ (20,150)
2023	(25,848)
2024	(18,736)
2025	(10,763)
2026	8,506
Thereafter	39,152

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

Actuarial assumptions: The total pension liability in the December 31, 2021, 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 – 9.25 percent, average, including inflation
Investment Rate of Return	6.85 percent, net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and based on gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2021, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

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 is 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 in 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	37%	6.58%	2.43%
Debt securities	20%	-0.28%	-0.06%
Real assets	15%	5.77%	0.87%
Private equity	12%	9.85%	1.18%
Absolute return	16%	2.91%	0.47%
Cash and cash equivalents	0%	-1.01%	0.00%
Total	100%		4.89%
Inflation			2.50%
Expected arithmetic nominal return			7.39%

The 6.85% assumed investment rate of return is comprised of an inflation rate of 2.50%, and a real return of 4.35% that is net of investment expense.

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

Discount rate: The discount rate used to measure the total pension liability was 6.85 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 from 6.95% to 6.85% from the prior measurement date.

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 6.85 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 (5.85 percent) or 1-percentage-point higher (7.85 percent) than the current rate:

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	$ 1,016,926	$ (1,891,145)	$ (4,317,363)
Tier 2 Public Employee System	259,328	(43,524)	(276,052)
Total	$ 1,276,254	$ (1,934,669)	$ (4,593,415)

Pension plan fiduciary net position: Detailed information about the fiduciary net position of the pension plans 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

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

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

	2022	2021	2020
401(k) Plan			
Employer Contributions	$ 61,021	$ 43,381	$ 38,680
Employee Contributions	4,314	4,512	2,733
457 Plan			
Employer Contributions	$ 3,757	$ 1,769	$ 2,420
Employee Contributions	7,520	20,911	56,925
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	$ 29,480	$ 21,580	$ 40,683

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, 2022, are as follows:

	Proportionate Share
Cottonwood Improvement District	16.46%
Mt. Olympus Improvement District	23.98%
Granger-Hunter Improvement District	24.58%
Kearns Improvement District	10.78%
Murray City	8.10%
South Salt Lake City	5.22%
Taylorsville-Bennion Improvement District	10.88%
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.

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, 2022, and for the year then ended is as follows:

NOTE 7 CENTRAL VALLEY WATER RECLAMATION FACILITY (Continued)

	2022	2021
Total assets	$ 511,717,943	$ 478,967,841
Total net positon	153,830,440	139,746,994
Operating revenues	23,432,183	21,406,781
Change in net position	14,083,446	17,132,411
The District's interest in:		
Net position	37,811,522	33,413,506
Net gain	4,398,016	5,616,780

In prior years the District has recorded its previous proportionate share (24.58%) 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, 2022:

Pretreatment Field	$ 291,554
Laboratory	255,444
Administration	$ 546,998
Operations and maintenance	4,939,103
Total	$ 5,486,101

The District owed a balance of $1,590,332 to Central Valley as of December 31, 2022 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 2022). During 2022, the District purchased 18,528 acre feet, 28 more than contracted. The cost of the 2022 water purchases was $10,805,123.

During the year the District entered into contracts for construction of water and sewer facilities. As of December 31, 2022, there was approximately $30,023,163 outstanding on these contracts.

NOTE 8 COMMITMENTS AND CONTINGENCIES (continued)

The District's 2019 series bond require net water revenue of 125% of the current bond principal payments and any other obligations secured by those pledges. The District met the net water revenue requirement for the year ended December 31, 2022.

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 as of December 31, 2022 had a $23,710,000 outstanding balance. The District's pledge at December 31, 2022 represents a 45.22% share of the outstanding bond principal, or a commitment of $10,721,659. 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.

During 2019 the District entered into a pledge with CVWRF. The pledge commits the District to make monthly payments to CVWRF for its share of 2019A 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 as of December 31, 2022 had an outstanding balance of $31,945,000. This District's pledge at December 31, 2022 represents a 41.02% share of the outstanding bond principal, or a commitment of $13,103,839. 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.

During 2020 the District entered into a pledge with CVWRF. The pledge commits the District to make monthly payments to CVWRF for its share of 2020 State Revolving Fund Note issued by CVWRF for infrastructure rehabilitation and construction. One of the participants in the CVWRF joint venture pledged cash for their share of the infrastructure costs, while the District and five other entities pledged to service the note which as of December 31, 2022 had an outstanding balance of $65,100,000. This District's pledge at December 31, 2022 represents a 25.93% share of the outstanding bond principal, or a commitment of $16,880,430. 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.

During 2021 the District entered into a pledge with CVWRF. The pledge commits the District to make monthly payments to CVWRF for its share of 2021B series sewer revenue bonds issued by CVWRF for infrastructure rehabilitation and construction. None of the participants in the CVWRF joint venture pledged cash for their share of the infrastructure costs, while the District and six other entities pledged to service the bonds which as of December 31, 2022 had an outstanding balance of $22,945,000. This District's pledge at December 31, 2022 represents a 24.58% share of the outstanding bond principal, or a commitment of $5,639,881. 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 8 COMMITMENTS AND CONTINGENCIES (continued)

During 2021 the District entered into a pledge with CVWRF. The pledge commits the District to make monthly payments to CVWRF for its share of 2021C series sewer revenue bonds issued by CVWRF for infrastructure rehabilitation and construction. One of the participants in the CVWRF joint venture pledged cash for their share of the infrastructure costs, while the District and five other entities pledged to service the bonds which as of December 31, 2022 had an outstanding balance of $127,105,000. This District's pledge at December 31, 2022 represents a 25.93% share of the outstanding bond principal, or a commitment of $32,958,327. 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.

During 2021 the District entered into a pledge with CVWRF. The pledge commits the District to make monthly payments to CVWRF for its share of 2021 Bank of Utah Note issued by CVWRF for infrastructure rehabilitation and construction. None of the participants in the CVWRF joint venture pledged cash for their share of the infrastructure costs, while the District and six other entities pledged to service the note which as of December 31, 2022 had an outstanding balance of $23,895,000. This District's pledge at December 31, 2022 represents a 24.58% share of the outstanding bond principal, or a commitment of $5,873,391. 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.

NOTE 10 SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through May 1, 2023 the date the financial statements were available to be issued.

On August 12, 2022 the District was awarded a 30 year Federal SRF Loan through the Utah Department Division of Drinking Water in the amount of $13,811,820 at an interest rate of 0.5%. Included in the $13.8M SRF loan, $2,811,820 is considered principal forgiveness and will be recognized as income over the life of the loan. The District expects to close on the loan sometime during May 2023.

In addition, on April 18, 2022, the Board of Trustees authorized the District through a parameters document to issue a 20-year loan up to $30,000,000 direct placement loan at a maximum allowable rate of 5.5%. The District expects to close on the loan during May 2023.

REQUIRED SUPPLEMENTARY INFORMATION

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Measurement Date of December 31, 2021
DECEMBER 31, 2022
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					
2014	0.4357104%	$ 1,891,957	$ 3,741,284	50.57%	90.2%
2015	0.4334689%	2,452,778	3,712,393	66.07%	87.8%
2016	0.4027547%	2,586,178	3,491,188	74.08%	87.3%
2017	0.3818030%	1,672,793	3,168,975	52.79%	91.9%
2018	0.3782173%	2,785,088	3,110,000	89.55%	87.0%
2019	0.3788600%	1,427,874	3,104,046	46.00%	93.7%
2020	0.3476725%	178,336	2,794,974	6.38%	99.2%
2021	0.3302095%	(1,891,145)	2,576,829	-73.39%	108.7%
Tier 2 Public Employees System					
2014	0.0523450%	$ (1,586)	$ 256,880	-0.62%	103.5%
2015	0.0639096%	(140)	412,991	-0.03%	100.2%
2016	0.0788265%	8,793	646,440	1.36%	95.1%
2017	0.1067205%	9,409	1,043,478	0.90%	97.4%
2018	0.1102929%	47,236	1,287,060	3.67%	90.8%
2019	0.1082533%	24,347	1,504,953	1.62%	96.5%
2020	0.1020340%	14,675	1,631,493	0.90%	98.3%
2021	0.1028368%	(43,524)	1,909,157	-2.28%	103.8%

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2022
Last 10 Fiscal Years**

As of fiscal year ended December 31,	Actuarial Determined Contributions	Contributions in relation 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%
2019	572,915	572,915	-	3,194,376	17.94%
2020	515,596	515,596	-	2,988,189	17.25%
2021	475,960	475,960	-	2,641,305	18.02%
2022	509,718	509,718	-	2,805,038	18.17%
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%
2019	234,519	234,519	-	1,511,854	15.51%
2020	256,567	256,567	-	1,636,845	15.67%
2021	304,638	304,638	-	1,938,209	15.72%
2022	312,872	312,872	-	1,969,134	15.89%
Tier 2 Public Employees DC Only System*					
2014	$ 150	$ 150	$ -	$ -	0.00%
2015	38	38	-	562	6.76%
2016	-	-	-	-	0.00%
2017	243	243	-	3,663	6.63%
2018	3,683	3,683	-	49,486	7.44%
2019	10,701	10,701	-	156,809	6.82%
2020	15,132	15,132	-	226,472	6.68%
2021	19,363	19,363	-	292,482	6.62%
2022	34,210	34,210	-	533,731	6.41%

* 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:

The investment return assumption was decreased by 0.10% to 6.85% for use in the January 1, 2021 actuarial valuation. This assumption change was based on analysis performed by the actuary and adopted by the Utah State Retirement Board. In aggregate, the assumption change resulted in a $509 million increase in the Total Pension Liability, which is about 1.3% of the Total Pension Liability as of December 31, 2020 for all systems combined. The demographic assumptions were reviewed and updated in the January 1, 2020 actuarial valuation and are currently scheduled to be reviewed in the year 2023.

SUPPLEMENTARY INFORMATION

GRANGER-HUNTER IMPROVEMENT DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended December 31, 2022

	Budget	Actual	Variance
Revenues			
Metered water sales	$ 21,276,000	$ 19,159,280	$ (2,116,720)
Sewer service charges	16,479,000	15,914,253	(564,747)
Interest income	125,000	421,831	296,831
Property taxes	5,876,000	6,147,888	271,888
Engineering	7,000	106,495	99,495
Impact fees	775,000	1,983,929	1,208,929
Connection and turn-off fees	75,000	128,583	53,583
Inspection	55,000	134,621	79,621
Conservation grant	51,000	50,418	(582)
Other income	160,000	119,014	(40,986)
Total Revenues	44,879,000	44,166,312	(712,688)
Expenditures			
Salaries and wages	5,469,665	5,529,136	(59,471)
Employee benefits	3,632,146	3,331,474	300,672
Materials and supplies	1,623,057	1,195,944	427,113
Postage and mailing	155,775	156,045	(270)
Water purchased	10,824,567	10,805,123	19,444
Computer system	473,660	407,765	65,895
Building maintenance	79,450	62,736	16,714
Water quality expense	74,500	68,041	6,459
Bank expenses	337,280	367,905	(30,625)
Gas and diesel	189,300	160,771	28,529
Insurance	394,830	295,846	98,984
Utilities	1,011,188	723,885	287,303
Telephone	127,200	118,856	8,344
Professional fees	309,000	481,176	(172,176)
Seminars and training	102,500	95,733	6,767
Interest expense	533,278	163,509	369,769
Bond issue costs	170,000	-	170,000
Central Valley expense	14,366,088	5,486,101	8,879,987
Equipment and tools purchases	681,660	39,884	641,776
Contingency	180,000	-	180,000
Vehicle Lease	118,000	6,406	111,594
Safety expense	51,425	52,795	(1,370)
Pension adjustment	-	(1,067,357)	1,067,357
Miscellaneous	76,660	54,782	21,878
Total Expenditures	40,981,229	28,536,556	12,444,673
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 3,897,771	$ 15,629,756	$ 11,731,985
Infrastructure purchases	36,358,000	19,193,215	17,164,785

Reconciliation of Excess (Deficiency) of Revenues Over Expenditures to Change in Net Position

Excess of revenues over expenditures	$ 15,629,756
Capital contributions	1,693,537
Depreciation	(7,903,638)
Equity in net gain/(loss) of Central Valley	(2,854,203)
Gain/(Loss) on fixed asset retirement	(424,921)
Donation to other entities	(191,132)
Change in Net Position	$ 5,949,399

GRANGER-HUNTER IMPROVEMENT DISTRICT

SUPPLEMENTAL REPORTS

DECEMBER 31, 2022

GRANGER-HUNTER IMPROVEMENT DISTRICT
SUPPLEMENTAL REPORTS
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

K&C
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

To the Board of Trustees
Granger-Hunter Improvement District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Granger-Hunter Improvement District (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 1, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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*.

Purpose of this Report

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

K&C, CPAs LLC

K&C, Certified Public Accountants
Salt Lake City, Utah
May 1, 2023

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Gary K. Keddington, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Granger-Hunter Improvement District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Granger-Hunter Improvement District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Granger-Hunter Improvement District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Granger-Hunter Improvement District as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated May 1, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

K&C, CPAs LLC

K&C, Certified Public Accountants
Salt Lake City, Utah
May 1, 2023

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Environmental Protection Agency				
Drinking Water State Revolving Fund (DWSRF) Cluster				
Passed through State of Utah - Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99878418	$ -	$ 6,864,969
Total Environmental Protection Agency			-	6,864,969
Total Expenditures of Federal Awards			$ -	$ 6,864,969

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Granger-Hunter Improvement District (the District) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1.	Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
2.	Internal control over financial reporting:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified?	None reported
3.	Noncompliance material to financial statements noted?	No

Federal Awards

1.	Internal control over major federal programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified?	None reported
2.	Type of auditor's report issued on compliance for major federal programs:	Unmodified
3.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
4.	Identification of major federal programs:	
	Assistance Listing Number	*Name of Federal Program or Cluster*
	66.468	Capitalization Grants for Drinking Water State Revolving Funds
5.	Dollar threshold used to distinguish between type A and type B programs:	$750,000
6.	Auditee qualified as low-risk auditee?	Yes

II. FINANCIAL STATEMENT FINDINGS

None Noted

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Noted

CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE*

To the Board of Trustees
Granger-Hunter Improvement District

Report On Compliance

We have audited Granger-Hunter Improvement District's compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor that could have a direct and material effect on the District for the year ended December 31, 2022.

State compliance requirements were tested for the year ended December 31, 2022 in the following areas:

Budgetary Compliance
Fund Balance
Fraud Risk Assessment
Government Fees
Impact Fees
Utah Retirement Systems

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance 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 Compliance Audit Guide*. Those standards and *the State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on the state compliance requirement occurred. 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 on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion on Compliance

In our opinion, Granger-Hunter Improvement District, complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2022.

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Salt Lake City, Utah 84119

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

K&C, CPAs LLC

K&C, Certified Public Accountants
Salt Lake City, Utah
May 1, 2023