GRANGER-HUNTER IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2014

GRANGER-HUNTER IMPROVEMENT DISTRICT
TABLE OF CONTENTS

Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Granger-Hunter Improvement District

Report on the Financial Statements

We have audited the accompanying financial statements of the Granger-Hunter Improvement District (the District), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Telephone (801) 590-2600
Fax (801) 265-9405

5292 So. College Dr., Suite 102
Salt Lake City, Utah 84123

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Granger-Hunter Improvement District as of December 31, 2014, 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.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated May 11, 2015 on our consideration of the District's internal control over financial reporting and on our tests of compliance with certain provisions of laws and regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keddington & Christensen

Keddington & Christensen, LLC
Salt Lake City, Utah
May 11, 2015

As management of the Granger-Hunter Improvement District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending December 31, 2014. We encourage readers to consider the financial information presented here in conjunction with the financial statements and accompanying notes which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $136,128,549 (net position). Of this amount, $40,211,987 (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 $1,160,343. Approximately 52% of this increase is made up of developer-contributed water and sewer lines, and 48% resulted from operations of the District.
- The District's operating revenues increased by $980,066 (4.1%) in comparison with the prior year operating revenues. The key factor in this change was an increase in the water availability fee.
- The District's total long-term debt decreased by $940,028 during the current fiscal year. The decrease was attributable primarily to the annual bond payment.

Budgetary Highlights

During the year there were no amendments to the original budget of the District. Total revenues fell slightly short of budget (by $254,061), but total expenditures were significantly less than budgeted (by $1,864,479). Therefore the District's net position did not deteriorate from the prior year. The following analysis is offered as explanation of variances from budget that were greater than $200,000.

- Property taxes were budgeted at $3,935,000, but actual revenues were $3,703,430, or $231,570 under budget. This is primarily a function of changing property valuation and delinquent payments by citizens. The District is authorized to place a lien on property of a delinquent property owner, so the District hopes to yet collect some of the unpaid amount, though it will not recover anticipated revenues lost as a result of falling property values.
- Employee benefits were budgeted at $2,700,227, but actual expenditures were $2,401,222, or $299,005 less than budgeted. This is due almost entirely to the health insurance plan, for which the employee deductible was increased significantly, thereby reducing anticipated premium increases.
- Materials and Supplies expenditures were budgeted at $695,650 while actual was only $478,459, or $217,191 under budget. This was due to a decrease in water system breaks and repairs and fewer than anticipated repairs and programming needs for the automated SCADA monitoring system, fluoride system, and to tanks and storage facilities and equipment.
- Central Valley Expense, for processing of wastewater, was budgeted at $3,365,629 while actual was $2,834,035, or $531,594 under budget. The District participates with six other

entities in funding the operations of the Central Valley Water Reclamation Facility (CVW). Each entity pays a proportionate share of the CVW operating and capital expenditures. Due to a mid-year change in project priorities at CVW, some budgeted betterments were delayed, thereby delaying the District's anticipated share of those betterments, which was over $530,000.

Overview of the Financial Statements

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

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

	2014	2013	2012
Current and other assets	$ 47,687,977	$ 47,039,936	$ 47,944,911
Capital assets, net	99,259,754	99,924,986	95,482,018
Total Assets	146,947,731	146,964,922	143,426,929
Deferred outflows of resources	27,572	51,787	83,891
Current liabilities	3,149,366	3,349,087	3,282,966
Long-term liabilities	7,697,388	8,699,416	7,946,897
Total Liabilities	10,846,754	12,048,503	11,229,863
Net investment in capital assets	90,599,938	91,830,824	88,263,033
Restricted	3,889,236	3,598,363	2,971,949
Unrestricted	41,639,375	39,539,019	41,045,975
Total Net Position	$ 136,128,549	$ 134,968,206	$ 132,280,957

The statement of net position includes all of the District's assets, liabilities, and net position which are categorized as investment in capital assets, restricted, or unrestricted. As can be seen from the schedule above, net position increased by $1,160,343 at the end of the current year, an increase of just under 1% of prior year's total net position. The largest portion of the District's net position, $92,027,326 (68%), reflects its investment in capital assets (e.g., land, buildings, water and sewer system facilities, and equipment). The District uses these capital assets in its daily operations; consequently, they are not available for future spending. An additional portion of the District's net position, $3,889,236 (3%), represents resources that are subject to external restrictions on how they may be used.

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

	2014	2013	2012
Operating revenues	$ 24,835,464	$ 23,855,398	$ 25,353,349
Operating expenses	(27,648,895)	(26,748,460)	(26,690,150)
Operating loss	(2,813,431)	(2,893,062)	(1,336,801)
Non-operating revenues, net	4,915,245	4,463,537	3,840,919
Non-operating expenses	(1,547,889)	(262,187)	(230,552)
Income before capital contributions	553,925	1,308,288	2,273,566
Capital contributions	606,418	1,378,961	1,092,016
Change in net position	1,160,343	2,687,249	3,365,582
Total Net Position:			
Beginning of year	134,968,206	132,280,957	128,951,570
Adjustments to net position	-	-	(36,195)
Total Net Position, End of Year	$ 136,128,549	$ 134,968,206	$ 132,280,957

Capital Asset Activity

The District's investment in capital assets as of December 31, 2014, amounts to $99,259,754 (net of accumulated depreciation). The investment in capital assets includes land, buildings, water and sewer system facilities, and machinery and equipment. The District's investment in capital assets for the current fiscal year decreased by .67% percent overall.

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

- Construction of new or replacement water lines in multiple locations.
- Completion of Building E vehicle storage facility.
- New Well 17.
- Replacement of Pressure Reducing Valve (PRV) stations.
- Sewer main lining project.
- Water and sewer lines contributed to the District by developers.

	2014	2013	2012
Land	$ 2,921,736	$ 2,853,406	$ 2,853,406
Buildings and improvement	4,489,708	3,361,252	3,544,254
Water system	40,332,992	37,295,173	35,938,642
Sewage pumping plant	12,905,181	13,563,000	6,044,723
Sewage collection lines	33,497,094	34,903,469	35,515,798
Transportation equipment	746,233	883,183	698,916
Engineering and other equipment and tools	1,971,147	2,058,785	2,266,664
Office funiture and equipment	76,803	111,314	166,296
Construction in progress	2,318,860	4,895,404	8,453,319
	$ 99,259,754	$ 99,924,986	$ 95,482,018

Debt Administration

At the end of the current fiscal year, the District had total long-term debt of $8,687,388, including the effects of deferred refunding and unamortized premiums. The debt represents bonds secured solely by specified revenue sources and post-employment liabilities. The District's outstanding bond debt decreased by $885,949 (not including the effects of refunding and premiums). The liability for termination benefits also decreased by $54,079. Total long-term debt decreased by $940,028, from $9,627,416 at December 31, 2013 to $8,687,388 at December 31, 2014. The District has no outstanding general obligation debt.

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

Requests for information

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

BASIC FINANCIAL STATEMENTS

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2014

Assets	
Current Assets:	
Unrestricted Cash and cash equivalents	$ 6,869,245
Marketable Securities	14,198,510
Receivables:	
Property taxes	59,518
Accounts receivable, net	2,813,262
Inventory	730,336
Restricted cash and cash equivalents	682,425
Restricted marketable securities	3,206,811
Total Current Assets	28,560,107
Capital Assets:	
Capital Assets - net of depreciation	99,259,754
Total Capital Assets	99,259,754
Other Assets:	
Advances to Central Valley Water Reclamation Facility	264,050
Investment in Central Valley Water Reclamation Facility	18,863,820
Total Other Assets	19,127,870
Total Assets	$ 146,947,731
Deferred Outflows of Resources	
Deferred loss on early retirement of debt	27,572
Total Assets and Deferred Outflows of Resources	$ 146,975,303

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION (Continued)
December 31, 2014

Liabilities	
Current Liabilities:	
Accounts payable	$ 1,165,273
Accrued liabilities	864,123
Accrued interest	104,375
Customer water deposits	25,595
Long-term debt due within one year	990,000
Total Current Liabilities	3,149,366
Non-Current Liabilities:	
Long-term debt due in more than one year	7,697,388
Total Long-term Liabilities	7,697,388
Total Liabilities	10,846,754
Net Position	
Net investment in capital assets	90,599,938
Restricted for capital projects	3,889,236
Unrestricted	41,639,375
Total Net Position	136,128,549
Total Liabilities and Net Position	$ 146,975,303

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, 2014

Operating Revenues	
Metered water sales	$ 15,119,723
Sewer service charges	9,463,000
Other	252,741
Total Operating Revenues	24,835,464
Operating Expenses	
Direct operation and maintenance	12,994,372
General and administrative	8,213,131
Depreciation	6,441,392
Total Operating Expenses	27,648,895
Operating Loss	(2,813,431)
Nonoperating Revenues (Expenses)	
Property tax revenue	3,703,430
Impact fees	742,103
Interest income	423,442
Interest expense	(227,343)
Gain (loss) on disposal of assets	46,270
Unrealized loss on marketable securities	(72,099)
Equity in net loss of Central Valley Water Reclamation Facility	(1,248,447)
Total Nonoperating Revenues (Expenses)	3,367,356
Net Income Before Contributed Capital	553,925
Contributed Capital	606,418
Change In Net Position	1,160,343
Total Net Position, Beginning of Year	134,968,206
Total Net Position, End of Year	$ 136,128,549

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2014

Cash Flows From Operating Activities	
Receipts from customers and users	$ 24,181,441
Payments to suppliers	(16,882,261)
Payments to employees	(4,483,531)
Net Cash From Operating Activities	2,815,649
Cash Flows From Noncapital Financing Activities	
Property tax receipts	3,787,286
Net Cash From Noncapital Financing Activities	3,787,286
Cash Flows From Capital and Related Financing Activities	
Impact fees received	742,103
Purchase of property and equipment	(5,264,583)
Proceeds from issuance of bonds	1,545,000
Cost of issuance of bonds	(27,572)
Proceeds from sale of property and equipment	46,270
Principal paid on bonds	(2,423,000)
Interest paid on bonds	(226,587)
Net Cash From Capital and Related Financing Activities	(5,608,369)
Cash Flows From Investing Activity	
Cash from sale of investments	43,973,779
Cash paid for purchase of investments	(44,127,521)
Cash balance reclassified as cash in current year	223,719
Cash paid for investment in Central Valley Water Reclamation Facility	(525,696)
Interest income	423,442
Net Cash From Investing Activity	(32,277)
Net Increase (Decrease) in Cash and Cash Equivalents	962,289
Cash and Cash Equivalents, Beginning of Year	6,589,381
Cash and Cash Equivalents, End of Year	$ 7,551,670

Cash and Cash Equivalents recorded in the Statement of Net Position	
Unrestricted	$ 6,869,245
Restricted	682,425
	$ 7,551,670

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, 2014

Reconciliation of Operating Loss to Net Cash From Operating Activities:

Operating Loss	$	(2,813,431)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense		6,441,392
(Increase) Decrease in assets		
Receivables		
Accounts receivable, net		(580,670)
Inventory		(56,424)
Prepaids		97,500
Increase (Decrease) in liabilities		
Accounts payable		(20,991)
Accrued liabilities		(124,295)
Customer water deposits		(73,353)
Post employment termination liabilities		(54,079)
Net Cash From Operating Activities	$	2,815,649

Noncash Investing, Capital, and Financing Activities

Loss in Central Valley Water Reclamation Facility equity	$	1,248,447
Contributed capital sewer lines received valued at	$	606,418
Deferred charges were amortized in the amount of	$	51,787
Bond premiums were amortized in the amount of	$	7,949

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, 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, includes property tax revenue and contributed sewer lines.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating 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.

Investments
Investments are reported at fair value as prescribed in GASB Statement 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 lines. Inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method. Inventory items are expensed as used.

Capital Assets
Capital Assets are stated at cost and are defined by the district as assets with a cost of $5,000 or more. Normal maintenance and repair expenses that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed asset. 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

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

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 sewer lines at the estimated fair market value at the date of donation, provided by the District's engineers, which is 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, and will not be permitted to accrue more than the employee's regular earned vacation time plus three hundred twelve accrued vacation hours from the prior year. All vested vacation benefits shall be paid upon termination of employment by resignation or termination.

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

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

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

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 2014 was .000692 for operations and maintenance. The District appropriates the entire amount to operations and maintenance. The statutory maximum set by the state for operations and maintenance is .000800.

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

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Allowance for Doubtful Accounts
Accounts receivable are stated net of allowance for doubtful accounts of $51,031. 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.

NOTE 2 DEPOSITS AND INVESTMENTS

The District's deposit and investment policy is to follow the Utah Money Management Act. However, 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 (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 Utah State Treasurer's investment pool that is considered as a demand deposit.

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

	Bank Balances	Book Balances
Cash on hand	$ -	$ 200
Cash on deposit	7,500,969	7,551,470
Total Cash and equivalents	$ 7,500,969	$ 7,551,670

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, 2014, $6,718,476 of the District's deposit bank balances of $7,500,969 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, 2014, the District's sweep account balance was uninsured.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Title 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years. The fair value of the District's investment in the PTIF is $4,563,044 with a carrying value of $4,539,750.

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 national recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors, bankers' acceptances, obligations of the U.S. Treasury and U.S. government sponsored enterprises, bonds and notes of political subdivisions of the State of Utah, fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations, and shares in a money market fund as defined in the Act.

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

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 invests in certain investments which exceed 5% of the total investments as of December 31, 2014 as noted below:

Issuer	Amount	Percentage
Bank of America Corp	955,256	5.5%
Morgan Stanley	982,103	5.6%

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

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participants' share to the total funds in the PTIF based on the participants' average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available from the Utah State Treasurer's Office. As of December 31, 2014, the Utah Public Treasurer's Investment Fund was unrated.

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

The following is a summary of the District's cash and investments as of December 31, 2014:

	Carrying Value	Fair Value Factor	Fair Value	Credit Rating (1)	Weighted Ave. Maturity (Years) (2)
Cash on hand and on deposit:					
Cash on hand	$ 200	1	$ 200	N/A	N/A
Cash on deposit	2,105,564	1	2,105,564	N/A	N/A
Bond Reserves	682,437	1	682,437	N/A	N/A
Certificates of Deposit	99,806	1	99,806	A-1	3.72
Money market funds	26,951	1	26,951	AAA	0.00
Utah State Treasurer's investment pool accounts	4,636,712	1	- 4,636,712	N/A	N/A
Total cash on hand and deposit	$ 7,551,670		$ 7,551,670		
Investments					
Corporate Notes	$ 3,898,182	1	3,898,182	A - A-	1.19
Governmental Notes	13,507,139	1	13,507,139	AAA	3.33
Total Investments	$17,405,321		$ 17,405,321		
Portfolio weighted average maturity					2.87

The following is a summary of the District's cash and investments as of December 31, 2014:

Unrestricted cash and cash equivalents	$ 6,869,245
Restricted cash and cash equivalents	682,425
Marketable securities	14,198,510
Restricted marketable securities	3,206,811
Total Cash and Investments	$ 24,956,991
As reported on the Statement of net position:	
Cash on hand	$ 200
Bond Reserves	682,437
Utah Public Treasurers Fund	4,636,712
Sweep account	2,105,564
CD's	99,806
Money market funds	26,951
U.S. obligations and agencies	13,507,139
Corporate bonds	3,898,182
Total Cash and Investments	$ 24,956,991

NOTE 3 CAPITAL ASSETS

The following summarizes the District's capital assets for the year ended December 31, 2014:

	Beginning Balance	Additions / Transfers in	Deletions / Transfers Out	Ending Balance
Capital assets not being depreciated				
Land and water rights	$ 2,911,007	$ 10,729	$ -	$ 2,921,736
Construction in progress	4,895,404	1,259,499	(3,836,043)	2,318,860
Total Capital Assets not being depreciated	7,806,411	1,270,228	(3,836,043)	5,240,596
Capital assets, being depreciated				
Buildings and improvements	7,283,085	1,411,204	-	8,694,289
Water System	70,436,745	5,498,989	-	75,935,734
Sewage pumping plant	20,965,169	5,542	-	20,970,711
Sewage collection lines	71,039,723	924,911	-	71,964,634
Transportation equipment	3,865,296	155,582	(108,664)	3,912,214
Engineering and other equipment	7,515,613	274,177	(423,638)	7,366,152
Furniture and fixtures	745,462	13,969	(117,620)	641,811
Total Capital Assets, being depreciated	181,851,093	8,284,374	(649,922)	189,485,545
Less accumulated depreciation				
Buildings and improvements	(3,921,833)	(282,748)		(4,204,581)
Water System	(33,141,572)	(2,461,170)	-	(35,602,742)
Sewage pumping plant	(7,402,169)	(663,361)	-	(8,065,530)
Sewage collection lines	(36,136,254)	(2,331,286)	-	(38,467,540)
Transportation equipment	(2,982,113)	(292,512)	108,644	(3,165,981)
Engineering and other equipment	(5,456,828)	(361,835)	423,658	(5,395,005)
Furniture and fixtures	(634,148)	(48,480)	117,620	(565,008)
Total accumulated depreciation	(89,674,917)	(6,441,392)	649,922	(95,466,387)
Capital Assets, being depreciated, net	92,176,176	1,842,982	-	94,019,158
Property and Equipment, Net	$ 99,982,587	$ 3,113,210	$ (3,836,043)	$ 99,259,754

Depreciation expense of $6,441,392 was charged to Operations/Administrative/Office expense for the year ended December 31, 2014.

NOTE 4 LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-Term Debt					
Revenue Bonds					
2005 Revenue bonds	$ 2,880,000	$ -	$ (2,175,000)	$ 705,000	$ 705,000
2012 Revenue bonds	5,258,000	-	(248,000)	5,010,000	255,000
2014 Revenue bonds	-	1,545,000	-	1,545,000	30,000
Plus unamortized premiums	7,949		(7,949)	-	-
Total Revenue Bonds	8,145,949	1,545,000	(2,430,949)	7,260,000	990,000
Termination benefits payable	1,481,467	-	(54,079)	1,427,388	-
Total Long-Term Debt	$ 9,627,416	$ 1,545,000	$ (2,485,028)	$ 8,687,388	$ 990,000
Deferred Outflows of Resources					
Deferred loss on early retirement of debt	$ (51,787)	$ (27,572)	$ 51,787	$ (27,572)	$ -

Total interest expense incurred on long-term debt for the year ended December 31, 2014 was $227,343 of which none was capitalized.

Revenue bonds consist of the following:

	2014
Water and Sewer Revenue Refunding Bonds, Series 2005, due in semi-annual interest installments ranging from $14,250 to $68,472 and estimated annual principal installments ranging from $660,000 to $760,000, bearing interest between 3.5% and 4%, maturing in March 2017. These bonds were defeased during 2014.	$ 705,000
Water and Sewer Revenue Refunding Bonds, Series 2012, with the State of Utah Department of Environmental Quality, only $5,500,000 of the approved $6,202,000 bond amount has been drawn through December 31, 2014, interest payable due in annual installments on March 1st, and estimated annual principal installments ranging from $242,000 to $389,000, bearing interest at 2.5%, maturing in March 2032.	5,010,000
Water and Sewer Revenue Refunding Bonds, Series 2014, due in semi-annual interest installments ranging from $3,420 to $9,860 and annual principal installments ranging from $30,000 to $760,000, bearing interest between .75% and .90%, maturing in March 2017.	1,545,000
Total revenue bonds	$ 7,260,000

NOTE 4 LONG-TERM DEBT (Continued)

The following summarizes the District's revenue bonds debt service requirements as of December 31, 2014.

Year ending December 31,	Principal	Interest	Total
2015	$ 990,000	$ 134,347	$ 1,124,347
2016	1,016,000	128,735	1,144,735
2017	1,028,000	115,770	1,143,770
2018	274,000	105,650	379,650
2019	281,000	98,800	379,800
2020-2024	1,516,000	385,025	1,901,025
2025-2029	1,719,000	185,550	1,904,550
2030-2034	436,000	12,550	448,550
	7,260,000	$ 1,166,427	$ 8,426,427
Less deferred amounts on refunding	(27,572)		
Total	$ 7,232,428		

Advance Refunding
The District issued Water and Sewer Revenue Refunding Bonds, series 2005, in February 2005. The proceeds of the Water and Sewer Revenue Refunding Bonds, series 2005, have been used to refund the Water and Sewer Revenue Refunding Bonds, series 1998. As a result, the refunding bonds, series 1998, are considered to be defeased and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by $551,439. This amount is being amortized over the remaining life of the new debt (series 2005), which is shorter than the life of the refunded debt (series 1998). The unamortized portion at December 31, 2013 was $51,787. As of December 31, 2014 the Water and Sewer Revenue Refunding Bonds, series 2005, have been refunded and defeased except for the payment of $705,000 which is to be made during 2015. As a result, the unamortized balance of $51,787 has been included in interest expense.

The District issued Water and Sewer Revenue Refunding Bonds, series 2014, in December 2014. The proceeds of the Water and Sewer Revenue Refunding Bonds, series 2014, have been used to refund the Water and Sewer Revenue Refunding Bonds, series 2005. As a result, the refunding bonds, series 2005 are considered to be defeased except for the balance of $705,000 and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt (series 2005) by $27,572. This amount is being amortized over the remaining life of the new debt (series 2014), which is shorter than the life of the refunded debt. The unamortized portion at December 31, 2014 was $27,572.

The District issued Water and Sewer Revenue Bonds, series 2012, in January 2012. The principal amount of the bond was $6,202,000 which is available to the District as improvements in the District are needed. Prior to 2014, the District drew $5,500,000 on the bond. During 2014, the District drew $0 on the bond. As of December 31, 2014, $702,000 on the original bond issue was still available to be drawn.

NOTE 5 POST-EMPLOYMENT TERMINATION LIABILITIES

Postemployment Health Care Benefits-Termination Benefits

During 2007, the District began to accrue a post-employment liability for health care benefits to be provided to retired employees who have elected to convert unused sick leave to coverage under the District's group health and accident plan as discussed in Note 1. The liability is determined by multiplying the total number of months of coverage remaining for all retirees by the current insurance rates for medical and dental benefits. As of December 31, 2014 the remaining liability is $415,465, of which none is current.

Retirement Buyout

During 2007, the district also elected to begin accruing a liability for the potential purchase of future service credit from 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. 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 10 eligible employees as of December 31, 2014. Based on calculations obtained using URS's Service Purchase Estimate Calculator and the specified share from the table for each employee, the District has estimated the retirement buyout liability to be $1,011,923.

NOTE 6 PENSION PLAN

District Plan

The District sponsors a defined contribution retirement benefit plan under Internal Revenue Code section 401(k) covering substantially all of its employees. Employer contributions under this plan during 2014 were $499,657, which represents 11.5% of covered payroll amounting to $4,305,158. Employee contributions under this plan were $69,731 for 2014. The plan is administered by UBS Financial Services.

Utah State Retirement System

The District contributes to the Local Governmental Contributory Retirement System and the Local Governmental Noncontributory Retirement System employer defined benefit pension plans administered by the Utah Retirement Systems (Systems), all of which are cost sharing multiple-employer defined benefit pension plans administered by the Utah Retirement System. The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended, which also establishes the Utah State Retirement Office (Office) for administration of the Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board), whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

NOTE 6 PENSION PLAN (Continued)

The District is legally obligated to contribute to the Systems as long as they have employees meeting membership requirements. All required contributions were paid within the applicable periods.

The District also participates in a deferred compensation plan created in accordance with Internal Revenue Code section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 457 plan is also administered by the Utah Retirement Systems.

The District also participates in a defined contribution plan created in accordance with Internal Revenue Code section 401(k). The plan is available to all District employees. Participation in the plan is optional. The 401(k) plan is also administered by the Utah Retirement Systems.

Funding Policy

Plan members in the Contributory System are required to contribute a percentage of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49. The contribution rates for the Contributory and Noncontributory Systems were as follows:

	Employee Paid	**Paid by Employer for Employee**	**Employer Contribution Rate**
January 2014 - June 2014			
Contributory System:			
Local Governmental Division Tier 2	N/A	N/A	15.110%
Noncontributory System:			
Local Governmental Division Tier 1	N/A	N/A	17.290%
July 2014 - December 2014			
Contributory System:			
Local Governmental Division	N/A	N/A	14.940%
Noncontributory System:			
Local Governmental Division	N/A	N/A	18.470%

NOTE 6 PENSION PLAN (Continued)

Funding Policy (Continued)

The District's actual contributions were as follows:

	Year Ended December 31,	Employee Paid Contributions	Employer paid for Employee Contribution	Employer Contributions	Salary Subject to Retirement Contributions
Contributory System:					
Local Governmental Division					
	2014	$ -	$ -	$ 21,596	$ 256,880
	2013	-	-	12,276	144,069
	2012	-	-	4,063	47,947
Noncontributory System:					
Local Governmental Division Tier 1					
	2014	$ -	$ -	$ 684,815	$ 3,741,284
	2013	-	-	626,984	3,717,817
	2012	-	-	572,564	3,816,225
Defined Contribution System:					
457 Plan	2014	$ 9,325	$ 12,401		
	2013	8,300	8,623		
	2012	8,862	23,642		
401(k) Plan	2014	$ -	$ 4,351		
	2013	-	2,291		
	2012	-	804		

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, 2014, are as follows:

	Original Facility	New Expansion	Enhancements	Digesters	Secondaries
Cottonwood Improvement District	19.569%	7.3215%	18.1191%	8.042%	7.1225%
Mt. Olympus Improvement District	25.622%	23.6177%	24.7780%	20.080%	22.6557%
Granger-Hunter Improvement District	21.124%	25.4755%	20.2376%	25.050%	24.9005%
Kearns Improvement District	5.978%	24.0002%	11.2654%	28.435%	25.7112%
Murray City	8.892%	6.8421%	8.0168%	6.280%	6.6882%
South Salt Lake City	6.120%	2.5074%	5.0980%	1.378%	2.5857%
Taylorsville-Bennion Improvement District	12.695%	10.2356%	12.4851%	10.735%	10.3362%
	100.000%	100.0000%	100.0000%	100.000%	100.0000%

NOTE 7 CENTRAL VALLEY WATER RECLAMATION FACILITY (Continued)

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

The District accounts for its investment in Central Valley Water Reclamation Facility (Central Valley) using the equity method of accounting. Summarized financial information of Central Valley as of December 31, 2014 and for the year then ended is as follows:

Total Assets	$	97,276,783
Total net positon	$	85,133,904
Operating revenues	$	12,069,140
Change in net position	$	(3,140,940)
The District's interest in:		
Net position	$	18,863,820
Net loss	$	722,751

In prior years the District has recorded its previous proportionate share (21.124%) of the government grants received by Central Valley as an addition to the District’s investments in Central Valley and to the District’s contributions in aid 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, 2014:

Administration	$	317,899
Operations and maintenance		2,516,136
Total	$	2,834,035

The District owed a balance of $300,108 to Central Valley as of December 31, 2014 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, which provides, in general, that the District will purchase a minimum amount of water each year from the Conservancy District (18,500 acre feet in 2014). During 2014, the District purchased approximately 18,905 acre feet of water, which cost $8,502,125.

During the year the District entered into contracts for construction of water and sewer facilities. As of December 31, 2014, there was approximately $2,990,109 outstanding on these contracts.

The District's 2012 and 2005 series bonds, respectively, required net revenue of 125% of the current bond principal payments. The District met the net revenue requirement for the year ended December 31, 2014.

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.

Supplementary Information

GRANGER-HUNTER IMPROVEMENT DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended December 31, 2014

	Budget	Actual	Variance
Revenues			
Metered water sales	$15,250,000	$ 15,119,723	$ (130,277)
Sewer service charges	9,350,000	9,463,000	113,000
Interest income	310,000	423,442	113,442
Property taxes	3,935,000	3,703,430	(231,570)
Engineering	8,500	6,000	(2,500)
Impact fees	800,000	742,103	(57,897)
Connection and turn-off fees	80,000	91,334	11,334
Inspection	100,000	70,050	(29,950)
Other income	125,000	85,357	(39,643)
Total Revenues	29,958,500	29,704,439	(254,061)
Expenditures			
Salaries and wages	4,412,949	4,305,157	(107,792)
Employee benefits	2,700,227	2,401,222	(299,005)
Materials and supplies	695,650	478,459	(217,191)
Postage and mailing	176,000	168,203	(7,797)
Water purchased	8,662,500	8,502,125	(160,375)
Computer system	119,946	122,636	2,690
Building maintenance	85,950	77,889	(8,061)
Water quality expense	85,200	72,901	(12,299)
Bank expeses	152,850	176,395	23,545
Gas and diesel	339,500	336,359	(3,141)
Insurance	339,600	255,631	(83,969)
Utilities	1,007,100	1,052,479	45,379
Telephone	66,450	59,558	(6,892)
Professional fees	236,515	127,303	(109,212)
Seminars and training	103,900	90,804	(13,096)
Interest expense	246,944	227,343	(19,601)
Central Valley expense	3,365,629	2,834,035	(531,594)
Equipment and tools purchases	240,005	64,135	(175,870)
Contingency	180,000	-	(180,000)
Safety expense	37,400	32,496	(4,904)
Miscellaneous	45,010	49,716	4,706
Total Expenditures	23,299,325	21,434,846	(1,864,479)
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,659,175	8,269,593	(2,118,540)
Infrastructure purchases	8,338,740	5,112,141	(3,226,599)
Reconciliation of Excess (Deficiency) of Revenues Over Expenditures to Change in Net Position		$ 8,269,593	
Capital contributions		606,418	
Depreciation		(6,441,392)	
Equity in net loss of Central Valley		(1,248,447)	
Gain on disposal of assets		46,270	
Change in unrealized loss on investments		(72,099)	
Change in Net Position		1,160,343	