# GRANGER-HUNTER IMPROVEMENT DISTRICT

# FINANCIAL STATEMENTS

## December 31, 2019

# GRANGER-HUNTER IMPROVEMENT DISTRICT
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# INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Granger-Hunter Improvement District

## Report on the Financial Statements

We have audited the accompanying financial statements of the Granger-Hunter Improvement District (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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



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***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Granger-Hunter Improvement District as of December 31, 2019, and the respective change in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

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

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

**Other Report Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a separate report dated May 6, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Keddington & Christensen*

Keddington & Christensen, LLC
Salt Lake City, Utah
May 6, 2020

**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, 2019. We encourage readers to consider the financial information presented here in conjunction with the financial statements and accompanying notes which follow this section.

## Financial Highlights

- The Total Assets and Deferred Outflows of Resources of the District exceeded its Total Liabilities and Deferred Inflows of Resources at the close of the most recent fiscal year by $154,128,895 (net position). Of this amount, $43,970,812 (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 $4,816,528. The increase is partially due to developer-contributed water and sewer lines in the amount of $96,314. Total Revenues were $182,297 lower than budgeted, primarily the result of a very wet spring and cooler fall which resulted in lower water sales, though this was partially offset by higher than anticipated impact fees and interest earnings. The District also was able to contain expenses in several areas, as noted hereafter, resulting in improved net position. The District's share of Central Valley Water Reclamation Facility (CVWRF) expenses was $731,153 less than anticipated due to reduced operating costs which resulted partly from personnel and benefit savings and partly from maintenance costs being less due to infrastructure completion delays. Meanwhile our equity in CVWRF improved by $653,969. District wages and benefits were $484,057 less than anticipated, primarily due to holding down health/dental insurance costs and also having some anticipated retirement buyouts delayed. Due to the very low interest rate on the new bond issue, as well as incremental issuance of the bond proceeds resulting in only a small amount of outstanding principal in 2019, the interest expense was $291,312 lower than budgeted. Due to new leasing standards issued by the Governmental Accounting Standards Board (see Notes 4 and 10), leased vehicles are now capitalized rather than expensed, resulting in recorded expense that is $198,690 below budget. Finally, the District experimented with varying degrees of pumping from its wells this year, and overall pumped less than in the prior year, opting instead to purchase water instead of pumping our own. This resulted in water purchases slightly in excess of budget ($13,552), but lower pumping expense (utilities) and lower water quality testing costs (combined $277,995 under budget), for a net savings of just over $264,000. As noted previously, some of this was also due to the unusually wet spring and cool fall, resulting in the need for less water overall. The remaining improvement in net position is the net effect of less significant over and underbudget situations in all other operating categories and significant underspending for infrastructure projects, due largely to project delays, some of which resulted from a lack of available construction workers.
- The District's total long-term debt increased by $834,825 during the current year, as described in Note 4 to the financial statements. As also presented in Note 4, during 2019 the District issued $20,000,000 of new debt through a bond with the State of Utah Department of Environmental Quality. Although the total bond is for $20,000,000, it is disbursed incrementally as water projects are constructed, rather than all at one time. A total of $1,200,000 was disbursed to the District in 2019, leaving $18,800,000 available for future projects.

## Budgetary Highlights

During 2019 the District experienced slightly lower than anticipated Total Revenues and significantly lower than anticipated expenses in several categories. As noted previously, Total Revenues were less than budget by $182,297, and Total Operating Expenditures were below budget by $2,283,698 (see Budget To Actual Comparison on page 36 of this report). Therefore, the District's net position did not deteriorate from the prior year. The following analysis is offered as explanation of variances from budget that were greater than $200,000.

- Metered water sales were $810,997 lower than budget due to a wet spring and cool fall that resulted in decreased water sales.
- Construction remained stronger than anticipated, resulting in impact fees that were $360,108 in excess of budget.
- Salaries and wages were budgeted at $5,327,747, but actual expenditures were $5,118,948, a difference of $208,799 under budget. This was the result of possible retirements not occurring during the year, leaving unspent funds that had been designated for buyouts and retirement related expenses.
- Employee benefits, budgeted at $3,297,627, were only $3,022,369, a difference of $275,258 under budget. This reflects the impact of being able to hold insurance costs down through our high deductible plan and careful use of insurance by employees, resulting in another year of lower than anticipated rate increase.
- Utilities were budgeted at $1,114,500, and actual expenditures were $912,015, leaving this line item $202,485 under budget. As noted previously, the District experimented with varying levels of pumping in an attempt to find the optimal level at which to reduce peaking costs and utility costs. We also purchased just slightly more than anticipated from Jordan Valley Water Conservancy District. It was also a wetter spring and cooler fall than the prior year, so we didn't need to pump as much water. All these combined resulted in lower utility costs.
- Interest Expense was budgeted at $408,683, while actual expenditures were $117,371, an under-budget variance of $291,312. As noted previously and also in Note 4, the District issued bonds at a rate of only 1.25%, and also received only $1,200,000 of proceeds due to incremental funding (bond proceeds are disbursed only as project work is completed). This resulted in much lower interest expense than anticipated.
- Central Valley expense, for wastewater processing and related facility construction, was budgeted at $4,887,820 while actual was $4,156,667, or $731,153 under budget. CVWRF has undertaken a very aggressive plan for refurbishing and/or replacing portions of the plant and adding new technology. However, as with the District's infrastructure projects, CVWRF had difficulty finding available construction workers, and construction costs have increased significantly over the past few years. Therefore, they were unable to complete as much as intended this year, resulting in less infrastructure to maintain than anticipated. Therefore, related facilities costs were also less.
- Infrastructure purchases of $13,638,400 were budgeted while actual expenditures totaled $9,956,190, a difference of $3,682,210 under budget. Twelve projects were in some stage of construction at year end, resulting in $1,491,252 being carried over to the next year's budget. The remaining $2,190,958 not expended was largely the result of some projects that were not even started during 2019, often for reasons already noted above.

## 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.

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

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.

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Current and other assets | $ 54,945,847 | $ 50,573,616 | $ 47,337,844 |
| Capital assets, net | 110,758,712 | 107,984,953 | 107,203,411 |
| Total Assets | 165,704,559 | 158,558,569 | 154,541,255 |
| Deferred outflows of resources | 1,849,549 | 1,437,756 | 1,737,908 |
| Current liabilities | 4,115,665 | 2,739,814 | 3,723,663 |
| Long-term liabilities | 9,131,097 | 7,080,268 | 8,451,017 |
| Total Liabilities | 13,246,762 | 9,820,082 | 12,174,680 |
| Deferered inflows of resources | 178,451 | 911,630 | 452,150 |
| Net investment in capital assets | 104,651,376 | 103,330,953 | 102,275,411 |
| Restricted | 5,506,707 | 4,580,024 | 4,491,159 |
| Unrestricted | 43,970,812 | 41,353,636 | 36,885,763 |
| Total Net Position | $ 154,128,895 | $ 149,264,613 | $ 143,652,333 |

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 $149,264,613 to $154,128,895, an increase of $4,864,282 at the end of the current year, approximately 3.3% of prior year's total net position. The increase is the sum of $4,816,528 from net operations and $47,754 prior period adjustment relating to the new GASB required treatment of capital leases. The largest portion of the District's net position, $110,758,712 (71.9%), reflects its investment in capital assets, net of accumulated depreciation (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, $5,506,707 (3.6%), represents "Restricted" resources that are subject to external restrictions on how they may be used.

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

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

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Operating revenues | $ 33,609,819 | $ 31,895,161 | $ 30,226,735 |
| Operating expenses | (35,152,443) | (34,019,513) | (31,395,950) |
| Operating income (loss) | (1,542,624) | (2,124,352) | (1,169,215) |
| Non-operating revenues, net | 6,669,737 | 7,376,010 | 5,807,381 |
| Non-operating expenses | (406,899) | (387,069) | (946,656) |
| Change in net position before capital contributions | 4,720,214 | 4,864,589 | 3,691,510 |
| Capital contributions | 96,314 | 747,691 | 1,387,131 |
| Change in net position | 4,816,528 | 5,612,280 | 5,078,641 |
| Total Net Position: | | | |
| Net position at beginning of year | 149,264,613 | 143,652,333 | 138,573,692 |
| Prior period adjustment | 47,754 | - | - |
| Total Net Position, End of Year | $ 154,128,895 | $ 149,264,613 | $ 143,652,333 |

Capital Asset Activity

The District's investment in capital assets as of December 31, 2019, amounts to $110,758,712 (net of accumulated depreciation). The investment in capital assets includes land, buildings, water and sewer system facilities, and machinery and equipment. The District's investment in capital assets for the current fiscal year increased by 2.6% overall.

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

- Construction of new/replacement water lines and pressure reducing valves in multiple locations.
- Continued replacement of old meters with new units which will facilitate remote reading and real-time monitoring.
- Continuation of sewer main lining project and reconstruction/rehabilitation of other sewer lines.
- Water and sewer lines contributed to the District by developers.
- Headquarters office remodel and landscaping/parking lot.
- Well 16 Generator replacement.
- Replacement of the Warner wastewater pump station.
- VFD Upgrades and pump replacement at various wastewater pump stations.
- Manhole rehabilitation project.
- Purchase of a hydroexcavator and capitalization of leases of multiple trucks and heavy equipment.
- Purchase of land for replacement wastewater pump station.
- Refurbishing of two wells.
- Replacement of wastewater pump station with gravity flow line.

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

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Land | $ 3,064,262 | $ 2,921,736 | $ 2,921,736 |
| Buildings and improvement | 4,709,614 | 4,078,284 | 3,573,201 |
| Water system | 45,624,805 | 47,960,787 | 48,843,710 |
| Sewage pumping plant | 13,386,884 | 12,941,327 | 13,657,177 |
| Sewage collection lines | 30,093,966 | 31,924,880 | 33,113,352 |
| Transportation equipment | 756,780 | 624,346 | 595,120 |
| Engineering and other equipment and tools | 4,433,720 | 3,775,625 | 3,463,834 |
| Office funiture and equipment | 96,615 | 125,135 | 11,074 |
| Intangible lease assets | 568,339 | - | - |
| Construction in progress | 8,023,727 | 3,632,833 | 1,024,207 |
| Total Property and Equipment, net | $ 110,758,712 | $ 107,984,953 | $ 107,203,411 |

Debt Administration

At the end of the current fiscal year, the District had total long-term debt of $7,098,557. 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 $919,000. The liability for termination benefits decreased by $33,844. The capitalization of lease obligations is new this year, resulting in a net decrease of $50,331 (not including the prior period adjustment). The combined total of all long-term debt increased from $6,263,732 at December 31, 2018 (after prior period adjustment) to $7,098,557 at December 31, 2019, a change of $834,825. 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, 2019

| | | |
|---|---|---|
| **Assets** | | |
| **Current Assets:** | | |
| Unrestricted Cash and cash equivalents | $ | 7,078,764 |
| Marketable Securities | | 13,642,098 |
| Receivables: | | |
| Property taxes | | 102,509 |
| Accounts receivable, net | | 3,303,621 |
| Inventory | | 986,661 |
| Prepaids | | 1,310 |
| Restricted cash and cash equivalents | | 1,474,348 |
| Restricted marketable securities | | 4,032,359 |
| **Total Current Assets** | | 30,621,670 |
| **Non-current Assets:** | | |
| Capital Assets - net of depreciation | | 110,758,712 |
| **Total Non-current Assets** | | 110,758,712 |
| **Other Assets:** | | |
| Investment in Central Valley Water Reclamation Facility | | 24,324,177 |
| **Total Other Assets** | | 24,324,177 |
| **Total Assets** | $ | 165,704,559 |
| **Deferred Outflows of Resources** | | |
| Deferred outflows relating to pensions | | 1,849,549 |
| **Total Deferred Outflows of Resources** | | 1,849,549 |
| **Total Assets and Deferred Outflows of Resources** | $ | 167,554,108 |

The accompanying notes are an integral part of this statement.

**GRANGER-HUNTER IMPROVEMENT DISTRICT**
**STATEMENT OF NET POSITION (Continued)**
**December 31, 2019**

| | | |
|---|---|---|
| **Liabilities** | | |
| **Current Liabilities:** | | |
| Accounts payable | $ | 2,338,291 |
| Accrued liabilities | | 863,067 |
| Accrued interest | | 97,979 |
| Customer water deposits | | 16,544 |
| Long-term debt due within one year | | 799,784 |
| **Total Current Liabilities** | | 4,115,665 |
| **Non-Current Liabilities:** | | |
| Long-term debt due in more than one year | | 5,307,552 |
| Post employment termination liabilities | | 991,221 |
| Net pension liability | | 2,832,324 |
| **Total Non-Current Liabilities** | | 9,131,097 |
| **Deferred Inflows of Resources** | | |
| Deferred inflows relating to pensions | | 178,451 |
| **Total Liabilities and Deferred Inflows of Resources** | | 13,425,213 |
| **Net Position** | | |
| Net investment in capital assets | | 104,651,376 |
| Restricted for capital projects | | 5,506,707 |
| Unrestricted | | 43,970,812 |
| **Total Net Position** | | 154,128,895 |
| **Total Liabilities, Deferred Inflows of Resources, and Net Position** | $ | 167,554,108 |

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, 2019

| | |
|---|---|
| **Operating Revenues** | |
| Metered water sales | $ 18,818,503 |
| Sewer service charges | 14,525,969 |
| Other | 265,347 |
| **Total Operating Revenues** | 33,609,819 |
| **Operating Expenses** | |
| Direct operation and maintenance | 16,809,797 |
| General and administrative | 10,533,579 |
| Depreciation | 7,809,067 |
| **Total Operating Expenses** | 35,152,443 |
| **Operating Income (Loss)** | (1,542,624) |
| **Non-Operating Revenues (Expenses)** | |
| Property tax revenue | 4,186,205 |
| Impact fees | 923,108 |
| Interest income | 653,965 |
| Grant revenue | 69,706 |
| Interest expense | (117,371) |
| Donation to other governmental entities | (213,243) |
| Gain (loss) on disposal of assets | (76,285) |
| Unrealized gain on marketable securities | 182,784 |
| Equity in net gain/(loss) of Central Valley Water Reclamation Facility | 653,969 |
| **Total Non-Operating Revenues (Expenses)** | 6,262,838 |
| **Change In Net Position Before Contributed Capital** | 4,720,214 |
| **Contributed Capital** | 96,314 |
| **Change In Net Position** | 4,816,528 |
| **Net Position at Beginning of Year** | 149,264,613 |
| Prior Period Adjustment | 47,754 |
| **Net Position at End of Year** | $ 154,128,895 |

The accompanying notes are an integral part of this statement.

## GRANGER-HUNTER IMPROVEMENT DISTRICT
## STATEMENT OF CASH FLOWS
## For The Year Ended December 31, 2019

| | |
|---|---|
| **Cash Flows From Operating Activities** | |
| Receipts from customers and users | $ 32,988,783 |
| Payments to suppliers | (19,964,305) |
| Payments to employees | (6,462,355) |
| **Net Cash From Operating Activities** | 6,562,123 |
| **Cash Flows From Noncapital Financing Activities** | |
| Property tax receipts | 3,956,687 |
| Proceeds from grant | 69,706 |
| **Net Cash From Noncapital Financing Activities** | 4,026,393 |
| **Cash Flows From Capital and Related Financing Activities** | |
| Impact fees received | 923,108 |
| Purchase of property and equipment | (10,096,230) |
| Proceeds from issuance of bonds | 1,200,000 |
| Principal paid on bonds | (281,000) |
| Proceeds from issuance of leases | 140,033 |
| Principal paid on leases | (190,364) |
| Proceeds from sale of property and equipment | 165,851 |
| Interest paid on long-term debts | (116,350) |
| **Net Cash From Capital and Related Financing Activities** | (8,254,952) |
| **Cash Flows From Investing Activity** | |
| Cash paid for purchase of investments | (7,053,601) |
| Cash from sale of investments | 8,698,974 |
| Cash paid for investment in Central Valley Water Reclamation Facility | (2,574,058) |
| Interest income | 653,965 |
| **Net Cash From Investing Activity** | (274,720) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 2,058,844 |
| **Cash and Cash Equivalents, Beginning of Year** | 6,494,268 |
| **Cash and Cash Equivalents, End of Year** | $ 8,553,112 |
| | |
| **Cash and Cash Equivalents recorded in the Statement of Net Position** | |
| Unrestricted | $ 7,078,764 |
| Restricted | 1,474,348 |
| **Total Cash and Cash Equivalents recorded in the Statement of Net Position** | $ 8,553,112 |

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, 2019

| | | |
|---|---|---|
| **Reconciliation of Operating Loss to Net Cash From Operating Activities:** | | |
| Operating Loss | $ | (1,542,624) |
| Adjustments to reconcile operating loss to net cash from operating activities: | | |
| Depreciation expense | | 7,809,067 |
| (Increase) Decrease in assets | | |
| Receivables | | |
| Accounts receivable, net | | (619,861) |
| Property taxes | | |
| Inventory | | 83,070 |
| Prepaids | | 5,120 |
| Deferred outflows | | (411,793) |
| Increase (Decrease) in liabilities | | |
| Accounts payable | | 742,162 |
| Accrued liabilities | | 115,059 |
| Customer water deposits | | (1,175) |
| Post-employment termination liabilities | | (33,844) |
| Net pension liability | | 1,150,121 |
| Deferred inflows | | (733,179) |
| **Net Cash From Operating Activities** | $ | 6,562,123 |
| **Noncash Investing, Capital, and Financing Activities** | | |
| Gain in Central Valley Water Reclamation Facility equity | $ | (653,969) |
| Contributed capital water and sewer lines received at fair market value | $ | 96,314 |

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

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

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

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

## NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

### Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

#### Property Tax Revenues
Property tax rates are approved in June of each year by the Board of Trustees for the District. County Assessors assess a value (an approximation of market value) as of January 1 of each year for all real property, to which the property tax rates will apply for assessing property taxes. The property taxes assessed become delinquent after November 30. The District's certified tax rate in Salt Lake County for 2019 was .000485 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 $25,000. The allowance for doubtful accounts is based on the District's prior collection experience. Uncollected fees are certified to the county and attached as liens on the related real estate where allowable.

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

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

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

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

## NOTE 2 DEPOSITS AND INVESTMENTS

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

**NOTE 2 DEPOSITS AND INVESTMENTS (Continued)**

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

Deposits

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

*Custodial credit risk – deposits* is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2019, $8,159,228 of the District's deposit bank balances of $8,659,228 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, 2019, 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 $2,450,749 with a carrying value of $2,440,614.

*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.

**NOTE 2 DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participants' share to the total funds in the PTIF based on the participants' average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available from the Utah State Treasurer's Office. As of December 31, 2019, the Utah Public Treasurer's Investment Fund was unrated.

*Fair Value of Investments*

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

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

## NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | **12/31/2019** | **Level 1** | **Level 2** | **Level 3** |
| **Investments by fair value level** | | | | |
| Utah State Treasurer's investment pool | $ 2,450,749 | $ - | $ 2,450,749 | $ - |
| Corporate Notes | 9,518,115 | $ 9,518,115 | $ - | - |
| Governmental Notes | 5,062,443 | $ 5,062,443 | $ - | - |
| **Total investments by fair value level** | **$ 17,031,307** | **$ 14,580,558** | **$ 2,450,749** | **$ -** |

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, 2019:

| | **Carrying Value** | **Fair Value Factor** | **Fair Value** | **Credit Rating** | **Weighted Ave. Maturity (Years)** |
|---|---|---|---|---|---|
| **Cash on hand and on deposit** | | | | | |
| Cash on deposit | $ 2,051,485 | 1 | $ 2,051,485 | N/A | N/A |
| Bond Reserves | 1,474,348 | 1 | 1,474,348 | N/A | N/A |
| Utah State Treasurer's investment pool accounts | 5,027,279 | 1.00415276 | 5,048,156 | N/A | N/A |
| **Total cash on hand and deposit** | 8,553,112 | | 8,573,989 | | |
| **Investments** | | | | | |
| UT ST Treasurer's PTIF | 2,440,614 | 1.00415276 | 2,450,749 | | |
| Certificates of Deposit | 637,409 | | 637,409 | | |
| Money Market Mutual Funds | 15,876 | | 15,876 | | |
| Corporate Notes | 9,518,115 | 1 | 9,518,115 | A / AA- | 1.08 |
| Governmental Notes | 5,062,443 | 1 | 5,062,443 | AAA | 1.03 |
| **Total Investments** | 17,674,457 | | 17,684,592 | | |
| **Total cash on hand and deposit and Investments** | $ 26,227,569 | | $ 26,258,581 | | |

The following is a summary of the District's cash and investments as of December 31, 2019:

| | **Carrying Amount** |
|---|---|
| As Reported on the Statement of Net Position: | |
| Unrestricted cash and cash equivalents | $ 7,078,764 |
| Restricted cash and cash equivalents | 1,474,348 |
| Marketable securities | 13,642,098 |
| Restricted marketable securities | 4,032,359 |
| Total Cash and Investments | $ 26,227,569 |

## NOTE 3 CAPITAL ASSETS

The following summarizes the District's capital assets for the year ended December 31, 2019:

| | Beginning Balance | Additions / Transfers In | Adjustments | Deletions / Transfers Out | Ending Balance |
|---|---|---|---|---|---|
| Capital assets not being depreciated | | | | | |
| Land and water rights | $ 2,921,736 | $ 142,526 | | $ - | $ 3,064,262 |
| Construction in progress | 3,632,833 | 6,895,665 | | (2,504,771) | 8,023,727 |
| Total Capital Assets not being depreciated | 6,554,569 | 7,038,191 | | (2,504,771) | 11,087,989 |
| Capital assets, being depreciated | | | | | |
| Buildings and improvements | 9,508,458 | 999,321 | | (169,760) | 10,338,019 |
| Water System | 92,712,609 | 833,594 | | (138,792) | 93,407,411 |
| Sewage pumping plant | 23,243,923 | 1,234,616 | (1,130) | (59,176) | 24,418,233 |
| Sewage collection lines | 79,266,351 | 697,558 | 1,130 | (2,317) | 79,962,722 |
| Transportation equipment | 4,035,952 | 356,893 | | (300,617) | 4,092,228 |
| Engineering and other equipment | 8,987,142 | 1,397,102 | | (146,167) | 10,238,077 |
| Furniture and fixtures | 613,230 | - | | - | 613,230 |
| Intangible Lease Assets | - | - | 1,067,899 | - | 1,067,899 |
| Total Capital Assets, being depreciated | 218,367,665 | 5,519,084 | 1,067,899 | (816,829) | 224,137,819 |
| Less accumulated depreciation | | | | | |
| Buildings and improvements | (5,430,174) | (339,499) | | 141,268 | (5,628,405) |
| Water System | (44,751,822) | (3,112,714) | | 81,930 | (47,782,606) |
| Sewage pumping plant | (10,302,596) | (740,588) | | 11,835 | (11,031,349) |
| Sewage collection lines | (47,341,472) | (2,529,284) | | 2,000 | (49,868,756) |
| Transportation equipment | (3,411,606) | (224,459) | | 300,617 | (3,335,448) |
| Engineering and other equipment | (5,211,518) | (629,882) | | 37,043 | (5,804,357) |
| Furniture and fixtures | (488,095) | (28,520) | | - | (516,615) |
| Intangible Lease Assets | - | (204,121) | (295,439) | - | (499,560) |
| Total accumulated depreciation | (116,937,283) | (7,809,067) | (295,439) | 574,693 | (124,467,096) |
| Capital Assets, being depreciated, net | 101,430,382 | (2,289,983) | 772,460 | (242,136) | 99,670,723 |
| Property and Equipment, Net | $ 107,984,951 | $ 4,748,208 | $ 772,460 | $ (2,746,907) | $ 110,758,712 |

Depreciation expense of $7,809,067 was charged to Operations/Administrative/Office expense for the year ended December 31, 2019.

## NOTE 4 LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2019:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Long-Term Debt** | | | | | |
| Revenue Bonds - Direct Placements | | | | | |
| 2012 Revenue bonds | $ 4,654,000 | $ - | $ (281,000) | $ 4,373,000 | $ 288,000 |
| 2019 Water & Sewer bonds | - | 1,200,000 | - | 1,200,000 | 310,000 |
| Total Revenue Bonds - Direct Placements | 4,654,000 | 1,200,000 | (281,000) | 5,573,000 | 598,000 |
| Capital Leases | 584,667 | 140,033 | (190,364) | 534,336 | 201,784 |
| Termination benefits payable | 1,025,065 | - | (33,844) | 991,221 | - |
| **Total Long-Term Debt** | $ 6,263,732 | $ 1,340,033 | $ (505,208) | $ 7,098,557 | $ 799,784 |

Total interest expense incurred on long-term debt for the year ended December 31, 2019 was $117,371, of which none was capitalized.

Revenue Bonds consist of the following:

| **Revenue Bonds - Direct Placement** | **2019** |
|---|---|
| Water and Sewer Revenue Bonds, Series 2012, issued in January 2012 with the State of Utah Department of Environmental Quality, the total of the approved $6,202,000 bond amount has been drawn through December 31, 2015, interest payable due in annual installments on March 1st, and estimated annual principal installments ranging from $274,000 to $389,000, bearing interest at 2.5%, maturing in March 2032. | $ 4,373,000 |
| 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, $1,200,000 has been drawn through December 31, 2019, 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. | 1,200,000 |
| **Total Revenue Bonds - Direct Placement** | $ 5,573,000 |

## NOTE 4 LONG-TERM DEBT (Continued)

Capital Leases and other Long-Term Debts consist of the following:

| **Capital Leases - Direct Borrowings** | **2019** |
|---|---|
| Various capital leases entered into prior to 2019 with combined amounts as follows: original amount of $927,865, lease payments totaling $11,326 quarterly for several pieces of equipment and other lease payments totaling $11,423 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 September 2023 for the monthly payments. These leases have been used to purchase various vehicles and equipment used in operations. | $ 413,501 |
| 2019 - Various capital leases with combined amounts as follows: original amount of $140,033, monthly lease payments of $2,418, interest rates of 2.5%, with final payments due May 2024. These leases have been used to purchase various vehicles used in operations. | 120,835 |
| **Total Capital Leases - Direct Borrowings** | $ 534,336 |

| **Termination benefits payable** | **2019** |
|---|---|
| Post-employment Health Care Benefits-Termination Benefits: described in Note 5. | $ 718,932 |
| Retirement Buyout: described in Note 5. | 272,289 |
| **Termination benefits payable** | $ 991,221 |

The following summarizes the District's revenue bonds debt service requirements as of December 31, 2019.

| Year ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 598,000 | $ 119,950 | $ 717,950 |
| 2021 | 827,000 | 252,125 | 1,079,125 |
| 2022 | 661,000 | 307,250 | 968,250 |
| 2023 | 311,000 | 337,175 | 648,175 |
| 2024 | 319,000 | 298,388 | 617,388 |
| 2025-2029 | 1,719,000 | 1,178,364 | 2,897,364 |
| 2030-2034 | 1,138,000 | 631,138 | 1,769,138 |
| | $ 5,573,000 | $ 3,124,390 | $ 8,697,390 |

## NOTE 4 LONG-TERM DEBT (Continued)

The following summarizes the District's lease service requirements as of December 31, 2019.

| Year ending December 31, | | |
|---|---|---|
| 2020 | $ | 212,933 |
| 2021 | | 186,800 |
| 2022 | | 93,872 |
| 2023 | | 49,920 |
| 2024 | | 11,677 |
| Total minimum lease payments | | 555,202 |
| Less: amount representing interest | | (20,866) |
| Present value of net minimum lease payments | $ | 534,336 |

## 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, 2019, the remaining liability is $718,932, of which none is current. The remaining liability represents a decrease $142,023 from the prior year.

Retirement Buyout
During 2007, the District also elected to begin accruing a liability for the potential purchase of future service credit from the Utah Retirement Systems (URS) for qualified employees. To qualify for retirement buyout from URS, an employee must have a minimum of 25 years of eligible service for a Tier 1 employee, or 30 years of service for a Tier 2 employee. The District will share in the cost of buyout from 50% to 80% based on an employee's age and years of service. A table found in the District's personnel Rules and Regulations Manual specifies the District's share. The District has 4 eligible employees as of December 31, 2019. 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 $272,289. The remaining liability represents an increase $108,179 from the prior year.

## NOTE 6 RETIREMENT AND BENEFIT PLANS

Utah Retirement Systems Pension Plan

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

## NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

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

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

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

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

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

Retirement benefits are as follows:

| System | Final Average | Years of Service required and/or age eligible for benefit | Benefit percent per year of service | COLA** |
|---|---|---|---|---|
| Noncontributory System | Highest 3 years | 30 years any age<br>25 years any age *<br>20 years age 60 *<br>10 years age 62 *<br>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<br>20 years age 60*<br>10 years age 62 *<br>4 years age 65 | 1.5% per year all years | Up to 2.5% |

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

Contributions Rate Summary
As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of December 31, 2019 are as follows:

## NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

| Utah Retirement Systems | Employee | Employer | Employer 401(k) |
|---|---|---|---|
| **Contributory System** | | | |
| 111 - Local Governmental Division Tier 2 | N/A | 15.66 | 1.03 |
| **Noncontributory System** | | | |
| 15- Local Governmental Division Tier 1 | N/A | 18.47 | N/A |
| **Tier 2 DC Only** | | | |
| 211 - Local Governmental | N/A | 6.69 | 10.00 |

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

For fiscal year ended December 31, 2019, the employer and employee contributions to the Systems were as follows:

| System | Employer Contributions | Employee Contributions |
|---|---|---|
| Noncontributory System | $ 572,915 | N/A |
| Tier 2 Public Employees System | 234,518 | - |
| Tier 2 DC Only System | 10,701 | N/A |
| Total Contributions | $ 818,134 | $ - |

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

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

At December 31, 2019, we reported a net pension asset of $0 and a net pension liability of $2,832,324.

| | (Measurement Date): December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Net Pension Asset | Net Pension Liability | Proportionate Share | Proportionate Share December 31, 2017 | Change (Decrease) |
| Noncontributory System | $ - | $ 2,785,088 | 0.3782173% | 0.3818030% | (0.0035857)% |
| Tier 2 Public Employees System | - | 47,236 | 0.1102929% | 0.1067205% | 0.0035724% |
| Total Net Pension Asset / Liability | $ - | $2,832,324 | | | |

The net pension asset and liability were measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 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, 2019, we recognized pension expense of $822,863.

## NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

At December 31, 2019, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 36,152 | $ 61,708 |
| Changes in assumptions | 384,933 | 849 |
| Net difference between projected and actual earnings on pension plan investments | 594,928 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 15,402 | 115,894 |
| Contributions subsequent to the measurement date | 818,134 | - |
| Total | $ 1,849,549 | $ 178,451 |

The $818,134 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, 2018.

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 |
|---|---|
| 2019 | $ 352,973 |
| 2020 | 132,382 |
| 2021 | 74,344 |
| 2022 | 282,167 |
| 2023 | 1,466 |
| Thereafter | 9,634 |

Actuarial assumptions: The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

## NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

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

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

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

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

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

## NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

| System | 1% Decrease (5.95%) | | Discount Rate (6.95%) | | 1% Increase (7.95%) | |
|---|---|---|---|---|---|---|
| Noncontributory System | $ | 5,707,926 | $ | 2,785,088 | $ | 351,135 |
| Tier 2 Public Employee Sestem | $ | 189,237 | $ | 47,236 | $ | (62,353) |
| Total | $ | 5,897,163 | $ | 2,832,324 | $ | 288,782 |

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

**Defined Contribution Savings Plans**

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

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

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

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

| | | 2019 | | 2018 | | 2017 |
|---|---|---|---|---|---|---|
| **401(k) Plan** | | | | | | |
| Employer Contributions | $ | 32,474 | $ | 22,759 | $ | 17,734 |
| Employee Contributions | | 451 | | 2,100 | | - |
| **457 Plan** | | | | | | |
| Employer Contributions | $ | 3,163 | $ | 1,678 | $ | 4,660 |
| Employee Contributions | $ | 27,190 | $ | 23,500 | $ | 17,878 |
| **Roth IRA Plan** | | | | | | |
| Employer Contributions | | N/A | | N/A | | N/A |
| Employee Contributions | $ | 33,442 | $ | 15,058 | $ | 4,175 |

## 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, 2019, are as follows:

## NOTE 7 CENTRAL VALLEY WATER RECLAMATION FACILITY (Continued)

| | Proportionate Share |
|---|---|
| Cottonwood Improvement District | 17.67% |
| Mt. Olympus Improvement District | 23.68% |
| Granger-Hunter Improvement District | 22.53% |
| Kearns Improvement District | 10.50% |
| Murray City | 8.68% |
| South Salt Lake City | 5.70% |
| Taylorsville-Bennion Improvement District | 11.24% |
| 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, 2019 and for the year then ended is as follows:

| | 2019 | 2018 |
|---|---|---|
| Total assets | $ 188,190,620 | $ 134,832,508 |
| Total net positon | 107,963,502 | 94,179,240 |
| Operating revenues | 18,776,614 | 18,230,389 |
| Change in net position | 13,784,262 | 9,533,592 |
| The District's interest in: | | |
| Net position | 24,324,177 | 21,096,150 |
| Net gain | 3,228,027 | 2,380,997 |

In prior years the District has recorded its previous proportionate share (22.53%) 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.

## NOTE 7 CENTRAL VALLEY WATER RECLAMATION FACILITY (Continued)

The District incurred the following costs from the joint venture for the year ended December 31, 2019:

| | | |
|---|---|---|
| Interceptor Monitoring | $ | 2,849 |
| Pretreatment Field | | 235,564 |
| Laboratory | | 225,166 |
| Administration | $ | 463,579 |
| Operations and maintenance | | 3,693,088 |
| Total | $ | 4,156,667 |

The District owed a balance of $830,016 to Central Valley as of December 31, 2019 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 2019). During 2019, the District purchased 18,913 acre feet, 413 more than contracted, which fulfilled its obligation for the commitment in 2019. The cost of the 2019 water purchases was $10,520,489.

During the year the District entered into contracts for construction of water and sewer facilities. As of December 31, 2019, there was approximately $4,696,318 outstanding on these contracts.

The District’s 2012 series bonds require net revenue of 125% of the current bond principal payments. The District met the net revenue requirement for the year ended December 31, 2019.

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, 2019.

During 2017 the District entered into a pledge with Central Valley Water Reclamation Facility (CVWRF). The pledge commits the District to make monthly payments to CVWRF for its share of 2017A series sewer revenue bonds issued by CVWRF for infrastructure rehabilitation and construction. Three of the participants in the CVWRF joint venture pledged cash for their share of the infrastructure costs, while the District and three other entities pledged to service the bonds which were issued in the amount of $28,600,000. This District’s pledge at December 31, 2019 represents a 41.29% share of the outstanding bond principal, or a commitment of $11,049,204. 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 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 were issued in the amount of $35,390,000. This District's pledge at December 31, 2019 represents a 37.94% share of the outstanding bond principal, or a commitment of $13,426,966. 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 IMPLEMENTATION OF GASB 87

During 2019 management elected to implement GASB 87 early. This new standard requires that the District record capital leases on the Statement of Net Position, for leases which had been treated as operating leases in the past. The net effect of this resulted in an adjustment to net position of $47,754.

## NOTE 11 SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through May 6, 2020 the date the financial statements were available to be issued. As a result of the spread of the COVID-19 (coronavirus), economic uncertainties have arisen and the financial impact that could occur is unknown at this time.

# REQUIRED SUPPLEMENTARY INFORMATION

## GRANGER-HUNTER IMPROVEMENT DISTRICT
## SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
## Measurement Date of December 31, 2018
## DECEMBER 31, 2019
## 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 | | | | | |
| 2018 | 0.3782173% | 2,785,088 | 3,110,000 | 89.55% | 87.0% |
| 2017 | 0.3818030% | 1,672,793 | 3,168,975 | 52.79% | 91.9% |
| 2016 | 0.4027547% | 2,586,178 | 3,491,188 | 74.08% | 87.3% |
| 2015 | 0.4334689% | 2,452,778 | 3,712,393 | 66.07% | 87.8% |
| 2014 | 0.4357104% | 1,891,957 | 3,741,284 | 50.60% | 90.2% |
| Tier 2 Public Employees System | | | | | |
| 2018 | 0.1102929% | $ 47,236 | $ 1,287,060 | 3.67% | 90.8% |
| 2017 | 0.1067205% | 9,409 | 1,043,478 | 0.90% | 97.4% |
| 2016 | 0.0788265% | 8,793 | 646,440 | 1.36% | 95.1% |
| 2015 | 0.0639096% | (140) | 412,991 | -0.03% | 100.2% |
| 2014 | 0.0523450% | (1,586) | 256,880 | -0.60% | 103.5% |

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

# GRANGER-HUNTER IMPROVEMENT DISTRICT
## SCHEDULE OF CONTRIBUTIONS
## DECEMBER 31, 2019
## Last 10 Fiscal Years**

| | As of fiscal year ended December 31, | Actuarial Determined Contributions | Contributions Related to the contractually required contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered employee payroll |
|---|---|---|---|---|---|---|
| Noncontributory System | 2014 | $ 669,263 | $ 669,263 | $ - | $ 3,743,874 | 17.88% |
| | 2015 | 685,137 | 685,137 | - | 3,758,692 | 18.23% |
| | 2016 | 644,822 | 644,822 | - | 3,648,277 | 17.67% |
| | 2017 | 585,239 | 585,239 | - | 3,188,044 | 18.36% |
| | 2018 | 573,793 | 573,793 | - | 3,168,591 | 18.11% |
| | 2019 | 572,915 | 572,915 | - | 3,194,376 | 17.94% |
| 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% |
| Tier 2 Public Employees DC Only System* | 2014 | $ 150 | $ 150 | $ - | $ - | 0.00% |
| | 2015 | 38 | 38 | - | 562 | 6.72% |
| | 2016 | - | - | - | - | 0.00% |
| | 2017 | 243 | 243 | - | 3,663 | 6.62% |
| | 2018 | 3,683 | 3,683 | - | 49,486 | 7.44% |
| | 2019 | 10,701 | 10,701 | - | 156,809 | 6.82% |

* 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.

**GRANGER-HUNTER IMPROVEMENT DISTRICT**
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**
**For the Year Ended December 31, 2019**

**Changes in assumptions:**

The assumptions and methods used to calculate the total pension liability remained unchanged from the prior year.

# SUPPLEMENTARY INFORMATION

# GRANGER-HUNTER IMPROVEMENT DISTRICT
## BUDGET TO ACTUAL COMPARISON
### Year ended December 31, 2019

| | Budget | Actual | Variance |
|---|---|---|---|
| **Revenues** | | | |
| Metered water sales | $19,629,500 | $ 18,818,503 | $ (810,997) |
| Sewer service charges | 14,448,000 | 14,525,969 | 77,969 |
| Interest income | 500,000 | 653,965 | 153,965 |
| Property taxes | 4,184,000 | 4,186,205 | 2,205 |
| Engineering | 4,100 | 8,970 | 4,870 |
| Impact fees | 563,000 | 923,108 | 360,108 |
| Connection and turn-off fees | 69,000 | 63,177 | (5,823) |
| Inspection | 49,000 | 50,647 | 1,647 |
| Conservation grant | 68,500 | 69,706 | 1,206 |
| Other income | 110,000 | 142,553 | 32,553 |
| **Total Revenues** | 39,625,100 | 39,442,803 | (182,297) |
| **Expenditures** | | | |
| Salaries and wages | 5,327,747 | 5,118,948 | (208,799) |
| Employee benefits | 3,297,627 | 3,022,369 | (275,258) |
| Materials and supplies | 873,473 | 862,760 | (10,713) |
| Postage and mailing | 159,500 | 153,639 | (5,861) |
| Water purchased | 10,506,937 | 10,520,489 | 13,552 |
| Computer system | 409,582 | 406,487 | (3,095) |
| Building maintenance | 82,462 | 89,219 | 6,757 |
| Water quality expense | 174,800 | 99,290 | (75,510) |
| Bank expenses | 355,900 | 350,963 | (4,937) |
| Gas and diesel | 229,000 | 216,159 | (12,841) |
| Insurance | 423,600 | 413,850 | (9,750) |
| Utilities | 1,114,500 | 912,015 | (202,485) |
| Telephone | 101,250 | 105,020 | 3,770 |
| Professional fees | 396,350 | 324,186 | (72,164) |
| Seminars and training | 131,325 | 129,500 | (1,825) |
| Interest expense | 408,683 | 117,371 | (291,312) |
| Bond issue costs | 245,000 | 244,210 | (790) |
| Central Valley expense | 4,887,820 | 4,156,667 | (731,153) |
| Equipment and tools purchases | 52,250 | 25,072 | (27,178) |
| Contingency | 180,000 | - | (180,000) |
| Vehicle Lease | 218,409 | 19,719 | (198,690) |
| Safety expense | 43,100 | 42,693 | (407) |
| Pension adjustment | - | 5,149 | 5,149 |
| Miscellaneous | 125,130 | 124,972 | (158) |
| **Total Expenditures** | 29,744,445 | 27,460,747 | (2,283,698) |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | $ 9,880,655 | $ 11,982,056 | $ 2,101,401 |
| Infrastructure purchases | 13,638,400 | 9,956,190 | (3,682,210) |

| | |
|---|---|
| **Reconciliation of Excess (Deficiency) of Revenues Over Expenditures to Change in Net Position** | $ 11,982,056 |
| Capital contributions | 96,314 |
| Depreciation | (7,809,067) |
| Equity in net gain/(loss) of Central Valley | 653,969 |
| Gain/(Loss) on fixed asset retirement | (76,285) |
| Change in unrealized loss on investments | 182,784 |
| Donation to other entities | (213,243) |
| **Change in Net Position** | $ 4,816,528 |

# GRANGER-HUNTER IMPROVEMENT DISTRICT

# SUPPLEMENTAL REPORTS

# DECEMBER 31, 2019

**GRANGER-HUNTER IMPROVEMENT DISTRICT**
**SUPPLEMENTAL REPORTS**
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KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

# 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*

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, 2019, 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 6, 2020.

**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.



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Salt Lake City, Utah 84119

**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.

*Keddington & Christensen*

Keddington & Christensen, LLC
Salt Lake City, Utah
May 6, 2020

KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

# 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**

We have audited Granger-Hunter Improvement District's (the District) compliance with the types of compliance requirements described 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, 2019. 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.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of 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 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).* Those standards and *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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 major federal program. However, our audit does not provide a legal determination of the District's compliance.



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## Opinion on Each Major Federal Program

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, 2019.

## Other Matters

The results of our auditing procedures disclosed no instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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 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 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 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.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Granger-Hunter Improvement District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Granger-Hunter Improvement District's basic financial statements. We have issued our report thereon dated May 6, 2020, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Granger-Hunter Improvement District's 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.

**Purpose of Report**

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.

Keddington & Christensen, LLC
Salt Lake City, Utah
May 6, 2020

**GRANGER-HUNTER IMPROVEMENT DISTRICT**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**For The Year Ended December 31, 2019**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Passed Through to Subrecipients' | Total Federal Expenditures |
|---|---|---|---|---|
| **Environmental Protection Agency** | | | | |
| Pass-Through State of Utah: | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | FS-99878418 | - | 1,322,369 |
| Total Pass-Through | | | - | 1,322,369 |
| Total Environmental Protection Agency | | | - | 1,322,369 |
| **Total Federal Financial Assistance** | | | $ - | $ 1,322,369 |

# GRANGER-HUNTER IMPROVEMENT DISTRICT
# NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## 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, 2019. 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.

# GRANGER-HUNTER IMPROVEMENT DISTRICT
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# For the Year Ended December 31, 2019

## A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Granger-Hunter Improvement District.

2. No Significant deficiencies disclosed during the audit of the financial statements are reported in this schedule.

3. No Instances of noncompliance material to the basic financial statements of Granger-Hunter Improvement District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiency in internal control over the major federal award programs was reported in this schedule.

5. The auditor's report on compliance for the major federal award programs for Granger-Hunter Improvement District expressed an unqualified opinion on all major federal programs.

6. No audit finding that was required to be reported in accordance with the Uniform Guidance 2 CFR section 200.516(a) is reported in this schedule.

7. The following programs were tested as major programs:

   CFDA #66.468 Capitalization Grants for Drinking Water

8. The threshold for distinguishing Types A and B programs was $750,000.

9. Granger-Hunter Improvement District does not qualify as a low-risk auditee.

## B. FINDINGS - FINANCIAL AUDIT AND GOVERNMENT AUDITING STANDARDS

None Noted

## C. FINDINGS – MAJOR FEDERAL AWARDS PROGRAM

None Noted

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# 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, 2019.

State compliance requirements were tested for the year ended December 31, 2019 in the following areas:

| | |
|---|---|
| Budgetary Compliance | Fund Balance |
| Utah Retirement Systems | Open and Public Meetings Act |
| Treasurer's Bond | Tax Levy Revenue Recognition |
| Impact Fees | |

***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, 2019.



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***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.

*Keddington & Christensen*

Keddington & Christensen, LLC
Salt Lake City, Utah
May 6, 2020