

**GRANGER-HUNTER
IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS**

December 31, 2008

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	9
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	10
STATEMENT OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS	13
SUPPLEMENTARY SCHEDULES:	
SCHEDULE I – BUDGET TO ACTUAL COMPARISON	27
SCHEDULE II – SCHEDULE OF IMPACT FEES	28
SUPPLEMENTARY REPORTS:	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	29
REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS	31

INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees
Granger-Hunter Improvement District**

We have audited the accompanying basic financial statements of the Granger-Hunter Improvement District (the "District") as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Granger-Hunter Improvement District as of December 31, 2008 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wisam Smith Racken & Prescott, LLP

Salt Lake City, Utah
May 19, 2009

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 fiscal year ending December 31, 2008. We encourage readers to consider the financial information presented here in conjunction with the financial statements and accompanying notes, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$125,428,852 (net assets). Of this amount, \$37,634,958 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$10,438,697. Approximately 85% of this increase is made up of developer-contributed water and sewer lines. The remaining increase includes net revenues (3%) and collection of one-time impact fee charges (12%).
- The District's operating revenues decreased by \$934,133 (4.3%) in comparison with the prior year. The key factor in this change included a decrease in water sales due to an average summer, in comparison to the extraordinary hot summer of 2007.
- The District's total long-term debt decreased by \$10,892,137 during the current fiscal year. The decrease was attributable to the payoff of the \$10 million bond issued in 2007 to finance various water and wastewater construction projects.

Overview of the Financial Statements

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

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
Management Discussion and Analysis
(unaudited)

Net Assets

Assets	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 48,061,003	\$ 54,218,413	\$ 43,800,906
Restricted assets	4,305,079	7,215,175	5,769,072
Capital assets	<u>89,770,249</u>	<u>80,912,622</u>	<u>72,224,581</u>
Total assets	<u>\$ 142,136,331</u>	<u>\$ 142,346,210</u>	<u>\$ 121,794,559</u>
 Liabilities			
Current liabilities	\$ 3,040,102	\$ 2,999,345	\$ 2,437,158
Long-term obligations, less current maturities	<u>13,667,377</u>	<u>24,356,710</u>	<u>14,453,163</u>
Total liabilities	<u>\$ 16,707,479</u>	<u>\$ 27,356,055</u>	<u>\$ 16,890,321</u>
 Net Assets			
Invested in capital assets, net of related debt	\$ 83,488,815	\$ 66,835,664	\$ 65,662,596
Restricted for debt service	4,305,079	7,215,175	5,769,072
Unrestricted	<u>37,634,958</u>	<u>40,939,316</u>	<u>33,472,570</u>
Total net assets	<u>\$ 125,428,852</u>	<u>\$ 114,990,155</u>	<u>\$ 104,904,238</u>

The Statement of Net Assets includes all of the District's assets and liabilities, and net assets which are categorized as invested in capital assets, net of related debt, restricted, or unrestricted. As can be seen from the schedule above, assets exceeded liabilities by \$125,428,852 at the end of the year, an increase of 9.1% compared to last year. The largest portion of the District's net assets, \$83,488,815 (66.5%), reflects its investment in capital assets (e.g., land, buildings, water and sewer system facilities, and equipment). The District uses these capital assets in its daily operations; consequently, they are not available for future spending. An additional portion of the District's net assets, \$4,305,079 (3.4%) represents resources that are subject to external restrictions on how they may be used.

While the Statement of Net Assets shows the change in financial position of net assets, the summary of the District's statement of revenues, expenses, and changes in net assets, provides information regarding the nature and source of these changes as seen in the following schedule. Net assets increased by \$10,438,697 in 2008.

GRANGER-HUNTER IMPROVEMENT DISTRICT
Management Discussion and Analysis
(unaudited)

Changes in Net Assets

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 21,024,892	\$ 21,959,025	\$ 20,526,606
Operating expenses	<u>(23,307,824)</u>	<u>(22,086,361)</u>	<u>(19,490,106)</u>
Operating income/(loss)	(2,282,932)	(127,336)	1,036,500
Non-operating revenues, net	4,501,974	5,826,766	6,012,509
Non-operating expenses - interest	<u>(603,850)</u>	<u>(855,198)</u>	<u>(588,317)</u>
Income before capital contributions	1,615,192	4,844,232	6,460,692
Capital contributions	<u>8,823,505</u>	<u>5,241,685</u>	<u>1,942,100</u>
Changes in net assets	10,438,697	10,085,917	8,402,792
Total net assets:			
Beginning of year	<u>114,990,155</u>	<u>104,904,238</u>	<u>96,501,446</u>
End of year	<u>\$ 125,428,852</u>	<u>\$ 114,990,155</u>	<u>\$ 104,904,238</u>

Capital Asset Activity

The District's investment in capital assets as of December 31, 2008, amounts to \$89,770,249 (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 10.9% overall.

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

- Construction of the Andra Water Pumping Station
- Construction of new or replacement water lines on 6800 West, 1400 West, 4700 South, and 7200 West.
- Construction of the 3500 South water lines.
- Replacement of old cast iron water pipelines with new and larger PVC pipe.
- Purchase of new water meters and MXU's which allow for electronic radio reading of meters.
- Sewer lift station upgrades.
- Sewer main lining project.
- Salt storage additions to three wells
- Water and sewer lines contributed to the District by developers.

GRANGER-HUNTER IMPROVEMENT DISTRICT
Management Discussion and Analysis
(unaudited)

Capital Assets			
Net of Depreciation			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Land	\$ 1,998,745	\$ 1,943,334	\$ 1,952,809
Buildings and improvements	4,014,906	4,196,581	4,375,765
Water System	31,374,681	28,522,905	26,621,938
Sewage pumping plant	7,650,191	7,492,212	7,864,880
Sewage collection lines	39,149,844	34,300,239	28,566,346
Transportation Equipment	527,592	540,002	505,493
Engineering and other equipment and tools	2,965,132	2,626,752	2,146,929
Office furniture and equipment	16,663	39,951	18,560
Construction in progress	<u>2,072,495</u>	<u>1,250,646</u>	<u>171,861</u>
Total	<u><u>\$ 89,770,249</u></u>	<u><u>\$ 80,912,622</u></u>	<u><u>\$ 72,224,581</u></u>

Debt Administration

At the end of the current fiscal year, the District had total long-term debt of \$13,622,586. The debt represents bonds secured solely by specified revenue sources. The District's long-term debt decreased by \$10,892,137 during the fiscal year. The District has no outstanding general obligation debt.

The District maintains an insured "AAA" debt rating from Standard & Poors on its revenue bond debt.

Additional information on the District's long-term debt can be found in Note 5.

Requests for information

This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the Controller of the Granger-Hunter Improvement District, 2888 South 3600 West, West Valley City, Utah 84170 or by telephone (801) 968-3551.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF NET ASSETS
December 31, 2008

ASSETS		
CURRENT ASSETS		
Unrestricted cash and cash equivalents	\$	23,109,504
Property taxes receivable		54,368
Accounts receivable		1,981,776
Inventory		<u>553,023</u>
TOTAL CURRENT ASSETS		<u>25,698,671</u>
 NON-CURRENT ASSETS		
Restricted cash and cash equivalents		4,305,079
Capital assets, net		89,770,249
Advances to Central Valley Water Reclamation Facility		264,050
Investment in Central Valley Water Reclamation Facility		21,992,747
Water Rights		57,601
Bond issue costs, net		<u>47,934</u>
TOTAL NON-CURRENT ASSETS		<u>116,437,660</u>
TOTAL ASSETS		<u>142,136,331</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable		1,003,716
Accrued expenses		801,466
Accrued interest on bonds payable		237,615
Customer water deposits		37,628
Revenue bonds payable		<u>959,677</u>
TOTAL CURRENT LIABILITIES		<u>3,040,102</u>
 NON-CURRENT LIABILITIES		
Revenue bonds payable		12,662,909
Post employment liabilities		<u>1,004,468</u>
TOTAL NON-CURRENT LIABILITIES		<u>13,667,377</u>
TOTAL LIABILITIES		<u>16,707,479</u>
 NET ASSETS		
Invested in capital assets, net of related debt		83,488,815
Restricted for debt service		4,305,079
Unrestricted		<u>37,634,958</u>
TOTAL NET ASSETS	\$	<u><u>125,428,852</u></u>

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

**GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS**

Year ended December 31, 2008

OPERATING REVENUES	
Metered water sales	\$ 12,311,893
Sewer service charges	7,965,962
Other	747,037
TOTAL OPERATING REVENUES	<u>21,024,892</u>
 OPERATING EXPENSES	
Direct operation and maintenance	10,706,490
General and administrative	7,135,560
Depreciation and amortization	5,465,774
TOTAL OPERATING EXPENSES	<u>23,307,824</u>
OPERATING LOSS	<u>(2,282,932)</u>
 NON-OPERATING REVENUES (EXPENSES)	
Property taxes	3,631,125
Impact fees	1,201,460
Interest income	1,058,676
Interest expense	(603,850)
Gain on sale of assets	13,427
Equity in net loss of CVWRF	(1,402,714)
TOTAL NON-OPERATING REVENUES - NET	<u>3,898,124</u>
 Income before capital contributions	 1,615,192
 CAPITAL CONTRIBUTIONS	 <u>8,823,505</u>
CHANGE IN NET ASSETS	 10,438,697
 Net assets - beginning of year	 <u>114,990,155</u>
 Net assets - end of year	 <u><u>\$125,428,852</u></u>

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
Year ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$	21,633,019
Payments to suppliers		(12,876,554)
Payments to employees		(4,919,183)
Net cash flows from operating activities		<u>3,837,282</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes collected		<u>3,627,073</u>
Net cash flows from noncapital financing activities		3,627,073
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Impact fees received		1,201,460
Principal paid on revenue bonds		(10,683,351)
Payments for acquisition and construction of capital assets		(5,313,380)
Interest paid on revenue bonds		(603,850)
Proceeds from sale of assets		13,427
Net cash used by financing activities		<u>(15,385,694)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital acquisitions in Central Valley Water Reclamation Facility		(503,212)
Interest received on investments		<u>1,058,676</u>
Net cash flows from investing activities		<u>555,464</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,365,875)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>34,780,458</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>\$ 27,414,583</u></u>
CASH AND CASH EQUIVALENTS RECORDED IN THE ACCOMPANYING STATEMENT OF NET ASSETS:		
Unrestricted	\$	23,109,504
Restricted		<u>4,305,079</u>
	\$	<u><u>27,414,583</u></u>

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

**GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
Year ended December 31, 2008**

RECONCILIATION OF OPERATING LOSS TO

NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating loss	\$	(2,282,932)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation and amortization		5,465,774
(Increase) decrease in assets:		
Accounts receivable		608,127
Inventory		11,537
Increase (decrease) in liabilities:		
Accounts payable		144,345
Accrued expenses		(99,849)
Customer water deposits		<u>(9,720)</u>
Net cash flows from operating activities	\$	<u><u>3,837,282</u></u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Loss in Central Valley Water Reclamation Facility equity	\$	<u>(1,402,714)</u>
Contributed water and sewer lines	\$	<u><u>8,823,505</u></u>

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

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

1 SUMMARY OF ACCOUNTING POLICIES

A Summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

A. Reporting Entity

Granger-Hunter Improvement District (the District) is a municipal corporation governed by an elected three member board. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The District was established by resolution of the Board of County Commissioners of Salt Lake County in 1950. Salt Lake County has no oversight responsibility over the District and the District is not reported as a component unit of Salt Lake County. The District has no blended or discretely presented component units.

B. Measurement Focus and Basis of Accounting

The District is an enterprise fund, which is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services to the general public on a continuing basis are financed or recovered primarily through user charges. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

C. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008**

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

D. Restricted Cash and Cash Equivalents

Certain resources set aside for bond repayment are classified as restricted on the statement of net assets because their use is limited by applicable bond covenants. Other such accounts are restricted by state law.

E. Inventory

The District's inventory is comprised of water meters, replacement parts and supplies used in the construction and repair of water and sewer lines. The District values its inventory at the lower of cost or market using the first-in, first-out (FIFO) method.

F. Capital Assets

Capital assets are stated at cost. Normal maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. The net book value of property sold or otherwise disposed of, is removed from the property and accumulated depreciation accounts and the resulting gain or loss is included in income.

Capital assets donated to the District are recorded at the estimated fair value at the date of donation.

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

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

Sewer and Water Lines	10-60 years
Office Building	10-40 years
Furniture and Fixtures	2-10 years
Automobiles and Trucks	3-10 years
Tools and equipment	1-10 years

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

G. Joint Venture

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

H. Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. All full time employees may carry a maximum of three hundred twelve hours accrued vacation time from year to year, and will not be permitted to accrue more than the employee's regular earned vacation time plus three hundred twelve accrued vacation hours from the prior year. All vested vacation benefits shall be paid upon termination of employment.

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 accident plan. This benefit is available until the employee is eligible for Medicare benefits.

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

I. Allowance for Doubtful Accounts

Accounts receivable are stated net of an allowance for doubtful accounts of \$70,000. 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.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

J. Property Tax Revenues

Property taxes are levied on January 1st based on the assessed value of property as listed on the previous May 31st. Assessed values are an approximation of market value. An evaluation of all real property must be made every year by the county assessor. Property taxes are delinquent after November 30. The District's tax rate for 2008 was .000585. The district appropriates the entire amount to operations and maintenance. The statutory maximum set by the state for operations and maintenance is .000800. There is no statutory maximum for the reduction of general obligation bonds.

K. Budgetary Accounting

For management and control purposes, the District adopts and maintains a budget each year. The budget is maintained on a cash basis. Items budgeted, but not expended, are not carried over to succeeding years. Each budget item must be reapproved in each budget year.

L. New Accounting Pronouncements

In June 2007, GASB issued GASB Statement No. 51, *Accounting for Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software, be classified as capital assets. This Statement also provides authoritative guidance on determining the useful life of intangible assets or when intangible assets are considered to have an indefinite useful life. Intangible assets with indefinite useful lives should not be amortized unless their useful life is subsequently determined to no longer be indefinite due to a change in circumstances. Implementation is required for periods beginning after June 15, 2009. The District has not yet evaluated the effects of this Statement, however, it appears that the guidance will not have a material impact on its financial statements.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

2 CASH AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

The District follows the requirements of the Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk beyond the provisions of the Act. As of December 31, 2008, none of the District's bank balances were uninsured or uncollateralized.

A. Investments

The Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or non negotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury, including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008**

2 CASH AND INVESTMENTS (CONTINUED)

A. Investments (continued)

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses-net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. As of December 31, 2008, the District had \$3,352,940 invested in PTIF.

As of December 31, 2008, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity less than one year</u>	<u>1-3 years</u>
State of Utah Public Treasurer's Investment Fund	\$ 3,352,940	\$ 3,352,940	\$ -
Sweep Account	2,126,888	2,126,888	-
Money Market Funds	4,619,466	4,619,466	-
U.S. Agencies	1,150,000	400,000	750,000
U.S. Corporate Bonds	<u>16,165,289</u>	<u>6,726,485</u>	<u>9,438,804</u>
Total	<u>\$ 27,414,583</u>	<u>\$ 17,225,779</u>	<u>\$ 10,188,804</u>

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The district's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 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.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. As of December 31, 2008, the District's investments in Money Market Funds were rated AAA by Standard & Poor's. The District's investments in U.S. Agencies were rated AAA by Standard & Poor's. The District's investments in U.S. Corporate bonds were rated from BBB+ to AAA by Standard and Poor's. The District's investments in the State of Utah Public Treasurer's Investment Fund and the Sweep Account were unrated.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk beyond the provisions of the Act.

3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions / Transfers In</u>	<u>Disposals / Transfers Out</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 1,943,334	\$ 55,411	\$ -	\$ 1,998,745
Construction in progress	1,250,646	1,907,525	(1,085,676)	2,072,495
Total capital assets not depreciated	3,193,980	1,962,936	(1,085,676)	4,071,240
Capital assets being depreciated:				
Buildings and improvements	6,685,064	43,039	-	6,728,103
Water System	50,167,794	4,545,477	-	54,713,271
Sewage pumping plant	12,381,645	554,255	-	12,935,900
Sewage collection lines	56,937,779	7,196,564	-	64,134,343
Transportation equipment	2,865,673	142,275	-	3,007,948
Engineering and other equipment	5,906,344	765,744	(76,555)	6,595,533
Furniture and fixtures	362,475	12,271	(23,150)	351,596
Total capital assets being depreciated	135,306,774	13,259,625	(99,705)	148,466,694

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

3 CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions / Transfers In</u>	<u>Disposals / Transfers Out</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,488,483)	(224,714)	-	(2,713,197)
Water System	(21,644,888)	(1,693,702)	-	(23,338,590)
Sewage pumping plant	(4,889,433)	(396,276)	-	(5,285,709)
Sewage collection lines	(22,637,540)	(2,346,959)	-	(24,984,499)
Transportation equipment	(2,325,672)	(231,239)	76,555	(2,480,356)
Engineering and other equipment	(3,279,592)	(373,959)	23,150	(3,630,401)
Furniture and fixtures	(322,524)	(12,409)	-	(334,933)
Total accumulated depreciation	<u>(57,588,132)</u>	<u>(5,279,258)</u>	<u>99,705</u>	<u>(62,767,685)</u>
Total capital assets being depreciated, net	<u>77,718,642</u>	<u>7,980,367</u>	<u>-</u>	<u>85,699,009</u>
Total capital assets, net	<u>\$ 80,912,622</u>	<u>\$ 9,943,303</u>	<u>\$ (1,085,676)</u>	<u>\$ 89,770,249</u>

4 UNREMITTED PROPERTY LIENS

There were no unremitted property liens as of December 31, 2008. All property liens had been remitted to the Salt Lake County Treasurer's office for attachment to the related real estate property.

5 LONG-TERM DEBT

The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$16,311,615. During 2005, revenue bonds totaling \$7,480,000 were issued to refund the Series 1998 water and sewer revenue refunding bonds. Revenue bonds outstanding at December 31, 2008 were as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Refunding	3.25% - 4.00%	<u>\$ 5,895,000</u>
		<u>\$ 5,895,000</u>

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008**

5 LONG-TERM DEBT (CONTINUED)

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 550,000	\$ 213,731	\$ 763,731
2010	580,000	195,369	775,369
2011	600,000	173,944	773,944
2012	625,000	149,444	774,444
2013	660,000	123,744	783,744
Thereafter	<u>2,880,000</u>	<u>222,260</u>	<u>3,102,260</u>
	<u>\$ 5,895,000</u>	<u>\$ 1,078,492</u>	<u>\$ 6,973,492</u>

Central Valley Revenue Bonds

The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Central Valley Water Reclamation Facility has issued taxable sewer revenue bonds totaling \$35,000,000 at 3% for a term of 20 years, to fund the post – 1993 ownership of the treatment facility. The District’s share of the bonds is \$10,466,205.

Although the revenue bonds are in the name of Central Valley Water Reclamation Facility, the members are responsible to fund debt service requirements over the life of the bonds. The amount received to date is \$30,585,000. Granger-Hunter Improvement District’s share of the bond outstanding as of December 31, 2008 is \$7,952,809.

The District’s share of the Central Valley revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 409,677	\$ 238,584	\$ 648,261
2010	433,599	226,294	659,893
2011	448,551	213,286	661,837
2012	463,503	199,829	663,332
2013	466,493	178,434	644,927
2014-2018	2,556,741	742,621	3,299,362
2019-2023	2,969,408	272,540	3,241,948
2024-2025	<u>204,837</u>	<u>12,649</u>	<u>217,486</u>
	<u>\$ 7,952,809</u>	<u>\$ 2,084,237</u>	<u>\$ 10,037,046</u>

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008**

5 LONG-TERM DEBT (CONTINUED)

Advance Refundings

The government issued Water and Sewer Revenue Refunding Bonds, Series 2005, in February 2005. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the balance sheet. The reacquisition price exceeded the net carrying amount of the old debt by \$551,439. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is shorter than the life of the refunded debt. The unamortized portion as of December 31, 2008 is \$266,055.

Changes in Long-Term Debt

Long Term Debt activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Revenue bonds	\$ 16,445,000	\$ -	\$(10,550,000)	\$ 5,895,000	\$ 550,000
Less deferred amounts on refunding	(338,776)	-	72,721	(266,055)	-
Add bond premiums	51,994	-	(11,162)	40,832	-
CVWRF revenue bonds	<u>8,356,505</u>	<u>-</u>	<u>(403,696)</u>	<u>7,952,809</u>	<u>409,677</u>
Total bonds payable	<u>\$ 24,514,723</u>	<u>\$ -</u>	<u>\$(10,892,137)</u>	<u>\$ 13,622,586</u>	<u>\$ 959,677</u>

Total interest expense incurred on long-term debt for the year ended December 31, 2008 was \$603,850, of which none was capitalized.

6 POST EMPLOYMENT LIABILITIES

Postemployment Health Care Benefits

During 2007, the District began to accrue a post employment liability for health care benefits to be provided to retired employees who have elected to convert unused sick leave to coverage under the District's group health and accident plan as discussed in Note 1. The liability is determined by multiplying the total number of months of coverage remaining for all retirees by the current insurance rates for medical and dental benefits. During 2008 there were five retirees who received benefits of approximately \$49,367. As of December 31, 2008 the remaining liability is \$125,268.

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

6 POST EMPLOYMENT LIABILITIES (CONTINUED)

Retirement Buyout

During 2007, the District also elected to begin accruing a liability for the potential purchase of future service credit from URS for qualified employees. To qualify for retirement buyout from URS an employee must have a minimum of 25 years of eligible service. The District has ten eligible employees as of December 31, 2008. Based on tables provided by URS, the District has estimated the retirement buyout liability to be \$879,200.

7 PROPERTY TAX REVENUE

The District's total tax rate is .000585. The entire amount is used to meet operating and maintenance expenses. Property tax revenue for the year ended December 31, 2008 was \$3,631,125.

8 PENSION PLAN

District Plan – The District sponsors a defined contribution retirement benefit plan under Internal Revenue Code Section 401(k) covering substantially all of its employees. Employer contributions under this plan during 2008 were \$550,901, which represents 15.73% of covered payroll amounting to \$3,502,093. Employee contributions under this plan were \$68,365 for 2008.

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

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

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008**

8 PENSION PLAN (CONTINUED)

The District was required to contribute 11.620%, January 2008 through June 2008, and 11.620%, July 2008 through December 2008 of covered salary to the Noncontributory System for 2008. The Contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District's contributions to the Noncontributory System for the years ending December 31, 2008, 2007 and 2006, respectively, were \$406,943, \$378,357, and \$346,641. The contributions were equal to the required contributions for each year. Covered salaries for the years ending December 31, 2008, 2007 and 2006, respectively, were \$3,502,093, \$3,260,201, and \$3,056,952.

9 DEFERRED COMPENSATION PLAN

The Utah Retirement Systems have adopted Governmental Accounting Standards Board Statement 32 (GSAB No. 32), *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This resulted in reporting the 457 Plans as a "Trust Fund" rather than as an "Agency Fund". Currently, all of the assets and income of the 457 Plan are held in trust by the Utah Retirement Systems for the exclusive benefit of the participants or their beneficiaries rather than as assets of the District. Employer paid contributions for the years ending December 31, 2008, 2007, and 2006 were \$27,232, \$31,648, and \$31,863, respectively.

10 CENTRAL VALLEY WATER RECLAMATION FACILITY

During 1981, 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, 2008 are as follows:

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

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008**

10 CENTRAL VALLEY WATER RECLAMATION FACILITY (CONTINUED)

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

The District accounts for its investment in Central Valley using the equity method of accounting. Summarized financial information of Central Valley as of December 31, 2008 and for the year then ended is as follows:

Total assets	\$129,421,583
Total net assets	\$ 98,353,356
Revenue	\$ 11,139,158
Change in net assets	\$ 3,991,172
The District's interest in:	
Equity	\$ 21,992,747
Net loss	\$ 1,402,714

The District has recorded in prior years its previous proportionate share (21.124%) of the government grants received by Central Valley as an addition to the District's investments in Central Valley and to the District's contributions in aid of construction. All expenses (except depreciation) incurred by Central Valley are billed to its members. Accordingly, the District's equity in net losses of Central Valley annually are billed to its members. The District's equity in net losses of Central Valley annually approximates its share of Central Valley's depreciation expense. Audited statements are available at Central Valley Water Reclamation Facility, 800 West Central Valley Road, Salt Lake City, UT 84119.

The District incurred the following costs from the joint venture for the year ended December 31, 2008:

Administration	\$ 336,092
Operations and maintenance	<u>2,252,360</u>
TOTAL	<u>\$ 2,588,452</u>
 Total equity investment in CVWRF	 <u><u>\$ 21,992,747</u></u>

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

11 COMMITMENTS AND CONTINGENCIES

An agreement has been made with Jordan Valley Water Conservancy District, which provides, in general, that the District will purchase a minimum of acre feet of water each year from the Conservancy District (16,500 in 2008). The minimum amount increases gradually to 18,500 acre feet of water in 2013. During 2008, the District purchased approximately 17,621 acre feet of water, which cost \$6,590,533.

During the year, the District entered into contracts for construction of water facilities. As of December 31, 2008, there was approximately \$1,559,824 outstanding on the contracts.

The District's 2005 series bonds require a net revenue of 125% of the current bond principal payments. The District met the net revenue requirements for the year ended December 31, 2008.

12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the District is insured.

GRANGER-HUNTER IMPROVEMENT DISTRICT
BUDGET TO ACTUAL COMPARISON
For the year ended December 31, 2008

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Metered water sales	\$11,775,000	\$ 12,311,893	\$ 536,893
Sewer service charges	7,850,000	7,965,962	115,962
Interest income	1,150,000	1,058,676	(91,324)
Property taxes	3,860,000	3,631,125	(228,875)
Engineering	65,000	6,737	(58,263)
Impact fees	1,843,465	1,201,460	(642,005)
Connection and turn-off fees	168,500	215,098	46,598
Inspection	245,000	112,127	(132,873)
Other income	45,000	426,502	381,502
	<u>27,001,965</u>	<u>26,929,580</u>	<u>(72,385)</u>
EXPENSES:			
Salaries and wages	3,849,548	3,832,347	17,201
Employee benefits	1,869,193	1,832,869	36,324
Materials and supplies	764,215	783,726	(19,511)
Postage and mailing	96,665	98,497	(1,832)
Water purchased	6,756,750	6,590,534	166,216
Computer system	43,230	33,046	10,184
Building maintenance	58,600	57,650	950
Water quality expense	126,500	51,458	75,042
Bank expenses	86,300	90,625	(4,325)
Gas and diesel	202,500	211,993	(9,493)
Insurance	303,250	202,027	101,223
Utilities	808,850	857,229	(48,379)
Telephone	50,700	53,645	(2,945)
Professional fees	195,600	245,561	(49,961)
Seminars and training	136,570	101,484	35,086
Interest expense	651,606	603,850	47,756
Central Valley expenses	3,291,430	2,588,452	702,978
Capital projects	6,223,590	166,027	6,057,563
Miscellaneous	76,868	44,880	31,988
	<u>25,591,965</u>	<u>18,445,900</u>	<u>7,146,065</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 1,410,000</u>	<u>\$ 8,483,680</u>	<u>\$ 7,073,680</u>

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF IMPACT FEES
Year ended December 31, 2008

The District collects impact fees for use by the District. The following is a recap of the impact fees outstanding by year of collection:

<u>Year Collected</u>	<u>Water</u>	<u>Sewer</u>
2004	\$ -	\$ -
2005	-	-
2006	-	799,670
2007	-	2,140,443
2008	<u>31,216</u>	<u>1,333,679</u>
TOTAL	<u>\$ 31,216</u>	<u>\$ 4,273,792</u>

The following capital projects are planned to use the impact fees shown above.

<u>Planned Capital Project</u>	<u>Projected Cost</u>	<u>Anticipated Start Date</u>	<u>Impact Fee Type</u>
3500 South Water Line	\$ 850,000	Continuing Project	Water
Accord Booster Pump Station	\$ 1,000,000	Summer 2009	Water
Ridgeland Booster Pump Station	\$ 750,000	Summer 2009	Water
4700 South Water Line	\$ 600,000	Summer 2009	Water
6800 West Water Line	\$ 260,000	Summer 2009	Water
7200 West Water Line	\$ 600,000	Summer 2009	Water
1300 West Sewer Line	\$ 570,000	Spring 2009	Sewer
4100 South Sewer Line	\$ 149,000	Summer 2009	Sewer
Parliament Ave Sewer Line	\$ 600,000	Summer 2009	Sewer
Warner Lift Station	\$ 189,000	Spring 2010	Sewer
3100 South Sewer Line	\$ 800,000	Summer 2010	Sewer

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Board of Trustees
Granger-Hunter Improvement District

We have audited the financial statements of the Granger-Hunter Improvement District (the District), as of and for the year ended December 31, 2008, and have issued our report thereon dated May 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District, in a separate letter dated May 19, 2009

This report is intended solely for the information and use of management, the Board, others within the entity, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Wisam Smith Racken & Prescott, LLP

Salt Lake City, Utah
May 19, 2009

**REPORT OF INDEPENDENT AUDITOR ON STATE OF UTAH
LEGAL COMPLIANCE**

Board of Trustees
Granger-Hunter Improvement District

We have audited the accompanying financial statements of the Granger-Hunter Improvement District (the District), for the year ended December 31, 2008, and have issued our report thereon dated May 19, 2009. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Special Districts
- Other General Issues
- Impact Fees
- URS Retirement System

The District did not receive any major or non major State grants during the year ended December 31, 2008.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2008.

Wisan Smith Racker & Prescott, LLP

Salt Lake City, Utah
May 19, 2009

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

132 PIERPONT AVENUE, SUITE 250
SALT LAKE CITY, UTAH 84101
FAX (801) 328-2015
(801) 328-2011

MEMBER
UTAH ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS