SALT LAKE CITY
SUBURBAN SANITARY DISTRICT #1

FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

WITH

REPORT OF INDEPENDENT AUDITORS

SALT LAKE CITY SUBURBAN SANITARY DISTRICT #1
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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
Salt Lake City Suburban Sanitary District #1

We have audited the accompanying basic financial statements of Salt Lake City Suburban Sanitary District #1 as of December 31, 2009 and 2008, and for the years then ended 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 basic financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Salt Lake City Suburban Sanitary District #1 as of December 31, 2009 and 2008, and the results of its operations and cash flows for the years 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 a report dated May 26, 2010 on our consideration of Salt Lake City Suburban Sanitary District #1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

Management's discussion and analysis, which follows this report, is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

HUBER, ERICKSON & BOWMAN, LLC.
Salt Lake City, Utah
May 26, 2010

As management of the Salt Lake City Suburban Sanitary District No. 1 (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 ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with the financial statements and accompanying notes to enhance their understanding of the District's financial activities.

History and Background of District

The District was formed in 1946 by the Salt Lake County Commission under state statutes as a Special Service District with authority to levy taxes, issue bonds, and construct a sewage collection and treatment system. Since major construction in 1954 the District has operated its own sewer transmission lines and treatment facility until 1978 when the District entered into an Inter-local Agreement with four other special service districts and two cities to create the Central Valley Water Reclamation Facility (CVWRF), a regionalized wastewater treatment facility in which the District owns a 24% undivided interest.

Today the District collects wastewater from a service area with boundaries on the north of approximately 2700 South from the Jordan River east to the mountains and on the south from the Jordan River at about 4100 South east on a diagonal to Highland Drive and 6200 South and then east to the mountains. This service area encompasses parts of unincorporated Salt Lake County, approximately half of The City of South Salt Lake, The City of Holladay, and a small portion of Murray City, thus serving a population of approximately 160,000 residents. The District owns, operates and maintains 8,989 manholes and 374 miles of sewer collection lines, which convey and deliver wastewater for treatment to the CVWRF located at 800 West Central Valley Road in the City of South Salt Lake.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $45,534,761 (total net assets). Of this amount, $13,346,568 (District #1 Capital Assets) and the $24,600,444 Investment in CVWRF Joint Venture (therefore classified as an Unrestricted Asset), represent land, wastewater collection and treatment systems, buildings, vehicles, and equipment. The remaining $7,587,749 of Unrestricted Net Assets primarily consist of operating cash and investment reserves maintained for emergencies, major repairs and replacements, and capital projects. These reserves are also maintained in-lieu of funding depreciation and may be used to meet the District's obligations to citizens and creditors

- The District's total net assets decreased by $1,831,439 mainly due to depreciation of the District's capital assets and the capital assets of its investment in CVWRF joint venture. Depreciation is an unfunded non-cash expense.

- The District's total liabilities increased by $668,226 during the current fiscal year. This increase is primarily the result of the long-term liability associated with the Districts joint venture in CVWRF.

Overview of the Financial Statements

The District operates and accounts for its activities as an enterprise fund which is similar to private business enterprises.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. 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 a useful indicator of the financial position of the District.

The statement of revenues and expenses and changes in net assets presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by $45,534,761 as of December 31, 2009.

The largest portion of the District's net assets, 71%, reflects unrestricted net assets. The remaining portion of the District's net assets, 29%, reflects net assets invested in capital assets (e.g., land, buildings, machinery, and equipment). The District uses these capital assets and its investment in CVWRF joint venture to provide services to citizens and consequently, these assets are *not* available for future spending since the assets cannot be liquidated. The District's investment in CVWRF joint venture (before related long-term debt) represents 76% of unrestricted net assets.

Salt Lake City Suburban Sanitary District No. 1 Net Assets

	2009	2008	2007
Current and other assets	$39,415,971	$40,233,477	$41,395,920
Capital assets (net of accumulated depreciation)	13,346,568	13,692,275	13,852,054
Total assets	52,762,539	53,925,752	55,247,974
Long-term liabilities outstanding	6,160,499	5,303,538	5,512,171
Other liabilities	1,067,279	1,256,014	1,258,644
Total liabilities	7,227,778	6,559,552	6,770,815
Net assets:			
Invested in capital assets, net of related debt	13,346,568	13,692,275	13,852,054
Unrestricted	32,188,193	33,673,925	34,625,105
Total net assets	$45,534,761	$47,366,200	$48,477,159

During the years ended December 31, 2009 and 2008, the District's net assets decreased by $1,831,439 and $1,110,959, respectively. This decrease is a reflection of the District's policy of not funding depreciation.

Key elements of the change in net assets are as follows:

Salt Lake City Suburban Sanitary District No. 1 Net Assets

	2009	2008	2007
Operating Revenues:			
Sewer fees	$3,689,919	$3,686,934	$3,671,785
Other	109,365	83,476	110,605
Total operating revenues	3,799,284	3,770,410	3,782,390

	2009	2008	2007
Operating Expenses:			
Wages and employee benefits	2,207,049	2,167,539	1,955,340
Operating expenses from CVWRF joint venture	2,695,038	2,430,301	2,395,610
Depreciation	668,312	700,174	789,106
Other	750,184	606,447	613,259
Total operating expenses	6,320,583	5,904,461	5,753,315
Net loss from operations	(2,521,299)	(2,134,051)	(1,970,925)
Non-Operating Revenues (Expenses):			
County property taxes	1,509,929	1,521,809	1,547,158
Interest income (expense) and other	85,978	420,828	719,889
Equity in loss from CVWRF joint venture	(1,346,616)	(1,593,950)	(1,577,569)
Total non-operating revenues (expenses)	249,291	348,687	689,478
Capital Contributions:			
Capacity fees	188,569	215,334	280,260
Developer contributed sewer lines	252,000	459,071	2,190,544
Total capital contributions	440,569	674,405	2,470,804
Increase (decrease) in net assets	(1,831,439)	(1,110,959)	1,189,357
Net assets – Beginning	47,366,200	48,477,159	47,287,802
Net assets – Ending	$45,534,761	$47,366,200	$48,477,159

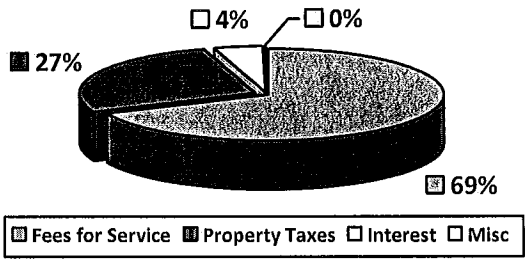
- Sewer fees increased by $2,985 or .01% and $15,149 or .4% for the year ended December 31, 2009 and 2008, respectively. The increase for the year ended December 31, 2009 is attributable to an increase in the number of new connections totaling 42. The increase for the year ended December 31, 2008 is attributable to an increase in the number of new connections totaling 24.

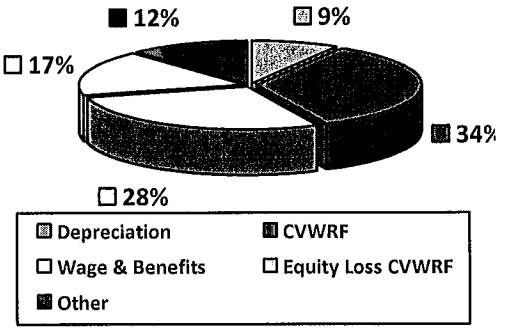
- Property taxes decreased by $11,880 or .8%. and decreased by $25,349 or 1.7%, during the years ended December 31, 2009 and 2008, respectively. The decrease during both years was due primarily to slight decreases in the County's tax base.

- Interest income from investments decreased by $344,591 and decreased by $296,665 for the years ended December 31, 2009 and 2008, respectively. The decrease is the result of a significant interest rate decline due to economic issues in 2009 and 2008 respectfully.

- Equity loss from CVWRF joint venture consists primarily of depreciation. The District's depreciation on its capital assets as well as the District's portion of CVWRF joint venture depreciation is $2,118,973 and $2,310,049 for the year ended December 31, 2009 and 2008, respectively, which accounts for the majority of the decrease in net assets.

- Capital contributions decreased by $233,836 for the year ended December 31, 2009. The decrease is attributable to a low number of building projects finalized within the district in the past two years.





Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Service and Budgetary Highlights

During 2009, the District collected and treated at CVWRF 5.98 billion gallons of wastewater removing approximately 3,949 dry tons of organic pollutants measured by the consumption of oxygen by bacteria (BOD) and another 3,675 tons of suspended solids (TSS). This represents a daily average of 16.37 million gallons per day of wastewater and 20,889 pounds per day each of BOD and TSS. This waste stream was generated by 27,137 billing accounts using 50,964 monthly units of service, a service unit being based on the wastewater and domestic pollutant load discharged by an average residence each month.

This service effort includes personnel for maintenance operations, engineering and inspection for construction compliance, industrial discharge pretreatment coordination, clerical, accounting and administration. This staff of 23 full-time and 1 part-time employees is governed by a three member Board of Trustees. Annual funding of operations is the result of adopting and annual budget after a public hearing. The budget is maintained on a cash basis. The following schedule summarizes the original budget, and amended budget, the actual and the variance.

Salt Lake City Suburban Sanitary District #1

Budget vs. Actual
(Cash Basis)
Year Ended December 31, 2009

	2009 Budget (Original)	2009 Budget (Amended)	Actual	Variance from Amended
Revenues:				
Operating revenue	$ 3,770,074	$ 3,770,074	$ 3,613,643	$ (156,431)
Property taxes	1,547,162	1,552,935	1,495,339	(57,596)
Interest income	359,236	359,236	263,847	(95,389)
Capacity fees	173,000	173,000	188,569	15,569
Other	-	-	-	-
	5,849,472	5,855,245	5,561,398	(293,847)
Expenses:				
Sewer lines	1,781,951	1,781,951	1,514,021	267,930
Pretreatment	138,064	138,064	127,972	10,092
CVWRF facility	2,674,350	2,674,350	2,693,396	(19,046)
CVWRF facility additions	1,136,336	1,036,336	440,985	595,351
CVWRF bond redemptions	278,984	278,984	278,984	-
Administration	867,817	926,809	830,642	96,167
Interest expense	165,450	165,450	165,877	(427)
Engineering and inspection	505,139	505,139	451,985	53,154
Paying agent	1,340	1,340	1,240	100
Property additions	57,940	104,721	70,606	34,115
	7,607,371	7,613,144	6,575,708	1,037,436
Excess (Deficit) of Revenues over Expenses	(1,757,899)	(1,757,899)	(1,014,310)	743,589
Use of (addition to) District reserves	1,757,899	1,757,899	1,014,310	(743,589)
Excess of Revenues over Expenses Including Reserves	$ -	$ -	$ -	$ -

Differences between the amended budget and original budget for the year 2009 can be briefly summarized as follows:

- $13,673 increase in budgeted taxes M&O
- $ 7,900 decrease in budgeted fee in lieu
- $ 100,000 decrease in budget for sale of mini golf course at CVWRF
- $ 58,992 increase in budget for legal and postage fees
- $ 46,781 increase in budget for replacement of carpet in office

Differences between the amended budget and actual for the year 2009 can be summarized as follows:

- $293,847 unfavorable variance for total revenue, mainly due to economic factors and a very low rate of return with interest rates.
- $1,037,436 favorable variance for total expenses. Two main items contributed to this balance
  1- Lining of a portion of the mainline project was not engaged
  2- Capital costs for the CVWRF UV project were not incurred as budgeted
- $ 743,589 overall favorable variance

Capital Assets

The District's investment in capital assets for its business-type activities as of December 31, 2009, amounts to $13,346,570 (net of accumulated depreciation). This investment in capital assets includes land, sewer systems, automobiles, equipment.

Salt Lake City Suburban Sanitary District No. 1 Capital Assets (Net of depreciation)

	2009	2008	2007
Land	$ 449,836	$ 449,836	$ 449,836
Sewer main	9,495,293	9,243,293	8,784,223
Sewer systems	20,358,692	20,358,692	20,358,692
Office & garage	2,007,069	1,985,310	1,977,355
Furniture & fixtures	208,728	861,105	861,105
Automobiles & trucks	1,150,913	1,674,770	1,669,018
Tools & equipment	478,621	883,702	856,243
Total	34,149,152	35,456,708	34,956,472
Less accumulated depreciation	(20,802,584)	(21,764,433)	(21,104,418)
Grand Total	$ 13,346,568	$ 13,692,275	$ 13,852,054

Reserve Funds

The District held $11,729,714 in reserves at the end of the current fiscal year. The reserve funds are maintained to provide liquid assets for funding repairs and reconstruction of District-owned infrastructure in the event of catastrophic events, which potentially could affect the District's ability to provide service to its residents.

Reserve and Fee Structure

The monthly service fee is $6.00 per month. Since the District does not fund depreciation the Board of Trustees has set a reserve amount that the District maintains. (See above statement) The tax rate is .000187.

Long Term Debt -DWQ Loan

The Board of Trustees approved and entered into an agreement with CVWRF on April 21, 2005 along with the six other local entities that make up CVWRF, to obtain a loan from the Utah Division of Water Quality. The Districts share of the loan is $7,256,752 or 20.7336 percent.

As of December 31, 2009, CVWRF has received proceeds of $35,000,000. Of the $23,000,000 distributed the Districts share was $4,408,463. The remaining $12,000,000 was used by CVWRF to fund facility projects. The District's share of the remaining $12,000,000 was $2,848,289. The fifth bond payment of 2,299,705 is due May 1, 2010 with the districts share being $478,349, consisting of $301,607 principal and $176,742 interest.

Terms of the loan are as follows:

1. Rate of 3%, Term 20 years
2. Creation of Reserve Funds: Dedicate existing reserve funds or establish new reserves, or utilize a combination of both for annual repayment of CVWRF loan.
3. Ownership of Reserve Funds: Reserve funds and all interest earned belong to SLCSSD#1.
4. Commitment to Fund: Agree to sufficiently fund all payment and funding requirements by CVWRF.
5. Notice of Cancellation of Reserve: Agrees to provide written notice for elimination or reduction in reserve.

Debt service requirements for the District's share of the loan proceeds are as follows:

DWQ Loan Payment Schedule

Year	Payment	Principle	Interest
2010	$ 478,349	$ 301,607	$ 176,742
2011	487,918	312,008	175,910
2012	488,958	322,408	166,550
2013	481,366	324,488	156,877
2014-2019	2,890,813	2,165,332	725,480
2020-2024	2,417,268	2,129,971	287,297
2025	627,724	609,441	18,284
Total	$ 7,872,396	$ 6,165,254	$ 1,707,140

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Salt Lake City Suburban Sanitary District No. 1, Attention: Kerry S. Eppich, General Manager, 3932 South 500 East, Salt Lake City, UT 84107-1895.

FINANCIAL STATEMENTS

ASSETS

	2009	2008
Current Assets		
Cash	$ 2,373,754	$ 233,289
Investments	5,458,606	8,613,856
Accounts receivable	178,556	217,844
Interest receivable	6,494	26,886
Tax collections receivable	69,297	54,707
Unremitted property liens	79,216	57,194
Prepaid insurance	27,766	28,007
Inventory-gas, oil, parts	30,455	34,386
Total Current Assets	8,224,144	9,266,169
Investments	6,271,108	6,270,632
Investment in CVWRF Joint Venture	24,600,444	24,376,401
Working Capital Advances to CVWRF Joint Venture	320,275	320,275
Capital Assets		
Land	449,836	449,836
Sewer systems and equipment	33,699,316	35,006,872
Less accumulated depreciation	(20,802,584)	(21,764,433)
Net Capital Assets	13,346,568	13,692,275
Total Assets	$ 52,762,539	$ 53,925,752

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

LIABILITIES AND NET ASSETS

	2009	2008
Liabilities		
Current Liabilities		
Accounts payable	$ 12,568	$ 13,021
Accounts payable - CVWRF joint venture	339,795	338,153
Accrued payroll taxes	-	5,847
Deposits	4,400	5,000
Interest payable	117,167	126,807
Deferred revenue	291,742	488,202
Due to CVWRF Joint Venture - current portion	301,607	278,984
Total Current Liabilities	1,067,279	1,256,014
Long-Term Liabilities		
Accumulated leave	296,852	267,958
Due to CVWRF Joint Venture - long-term portion	5,863,647	5,035,580
Total Long-Term Liabilities	6,160,499	5,303,538
Total Liabilities	7,227,778	6,559,552
Net Assets		
Invested in capital assets, net of related debt	13,346,568	13,692,275
Unrestricted	32,188,193	33,673,925
Total Net Assets	45,534,761	47,366,200
Total Liabilities and Net Assets	$ 52,762,539	$ 53,925,752

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

	2009	2008
Operating Revenues		
Sewer fees	$ 3,689,919	$ 3,686,934
Inspection fees	3,842	3,900
Nose-on	2,500	3,050
Penalties	91,286	58,872
Miscellaneous operating revenue	11,737	17,654
Total Operating Revenues	3,799,284	3,770,410
Operating Expenses		
Wages and salaries	1,455,882	1,395,552
Employee benefits	751,167	771,987
Truck and auto expense	90,270	100,317
Line repairs and maintenance	288,524	217,651
Supplies	14,275	14,395
Electric power	13,223	19,076
Other utilities	12,451	13,335
Telephone	14,142	12,298
Uniforms	6,948	7,124
Emergency	1,042	1,064
Subscriptions and training	44,759	43,882
Insurance	54,476	55,866
Operating expenses from CVWRF joint venture	2,695,038	2,430,301
Building maintenance	24,701	23,554
Legal services	45,884	14,570
Audit and accounting fees	10,500	7,500
Nose-on expense	1,814	2,716
Blue Stakes	7,570	7,217
District trustee fee and expenses	15,000	15,000
Postage	63,453	19,166
Data processing	8,113	7,320
Depreciation	668,312	700,174

	2009	2008
Miscellaneous	23,554	19,185
Bad debt expense	4,785	5,211
Professional services	4,451	-
Election expenses	249	-
Total Operating Expenses	6,320,583	5,904,461
Loss from Operations	(2,521,299)	(2,134,051)
Non-Operating Revenues (Expenses)		
Interest income	243,455	588,046
Gain on sale of capital assets	-	11,752
County property taxes	1,509,929	1,521,809
Paying agent fees	(1,240)	(740)
Interest expense	(156,237)	(178,230)
Equity loss from CVWRF joint venture	(1,346,616)	(1,593,950)
Net Non-Operating Revenues	249,291	348,687
Net Loss Before Capital Contributions	(2,272,008)	(1,785,364)
Capital Contributions		
Capacity fees	188,569	215,334
Developer contributed sewer lines	252,000	459,071
Total Capital Contributions	440,569	674,405
Decrease in Net Assets	(1,831,439)	(1,110,959)
Net Assets - Beginning of Year	47,366,200	48,477,159
Net Assets - End of Year	$ 45,534,761	$ 47,366,200

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

	2009	2008
Cash Flows From Operating Activities		
Receipts from customers and users	3,620,090	3,797,475
Payments to vendors	(3,440,461)	(3,057,915)
Payments to employees	(2,184,002)	(2,096,853)
Net Cash Used In Operating Activities	(2,004,373)	(1,357,293)
Cash Flows From Non-Capital Financing Activities		
Property taxes collected	1,495,339	1,493,411
Miscellaneous non-capital items	(1,240)	(740)
Net Cash Provided By Non-Capital Financing Activities	1,494,099	1,492,671
Cash Flows From Capital and Related Financing Activities		
Acquisition of property and equipment	(70,605)	(90,124)
Cash received for capacity fees	188,569	215,334
Cash paid to CVWRF for bond repayment	(444,861)	(453,141)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(326,897)	(327,931)

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

	2009	2008
Cash Flows From Investing Activities		
Net payments from purchases of investments	3,155,250	254,754
Interest received from investments	263,371	587,827
Net proceeds from sales of property	-	20,552
Net (contributions to) distributions from CVWRF joint venture	(440,985)	(604,954)
Net Cash Provided by Investing Activities	2,977,636	258,179
Net Increase in Cash	2,140,465	65,626
Cash, Beginning of Period	233,289	167,663
Cash, End of Period	$ 2,373,754	$ 233,289

Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities

Developer contributed sewer lines were $252,000 and $459,071 in 2009 and 2008 respectively.

The District recognized a loss from its investment in CVWRF joint venture of $1,346,616 and $1,593,950 in 2009 and 2008, respectively.

During 2009, the District disposed of fully depreciated property and equipment in the amount of $1,630,161.

During 2008, the District sold partially depreciated property and equipment with a net book value of $8,800 for $20,552.

	2009	2008
Reconciliation of Loss from Operations to Net Cash Used in Operating Activities		
Loss from Operations	$ (2,521,299)	$ (2,134,051)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	668,312	700,174
(Increase) decrease in assets:		
Accounts receivable	39,288	9,164
Unremitted tax liens	(22,022)	5,600
Prepaid insurance	241	716
Inventory	3,931	(2,544)
Increase (decrease) in liabilities:		
Accounts payable	1,189	(24,422)
Deposits liability	(600)	(2,224)
Deferred revenue	(196,460)	12,301
Accumulated sick leave liability	28,894	70,351
Interest payable	-	7,307
Accrued payroll and taxes	(5,847)	335
Net Cash Used In Operating Activities	$ (2,004,373)	$ (1,357,293)

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Salt Lake City Suburban Sanitary District #1 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

Reporting Entity

The Salt Lake City Suburban Sanitary District #1, (the District) is an agency of the State of Utah organized during 1946 as a special service district for the purpose of providing sewer services. The State of Utah has no oversight responsibility over the District; therefore, the District is not reported as a component unit of the State of Utah. The District has no oversight responsibilities over any other government entities. As of December 31, 2008 the District is now considered a local district by the State of Utah.

Measurement Focus and Basis of Accounting

The District is an enterprise fund, which is included under the proprietary fund type. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the District applies all applicable Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except for those that conflict with or contradict GASB.

On January 1, 2004, the District adopted the provisions of GASB Statement No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*." Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets or balance sheet, a statement of revenues, expenses, and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on the net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Inventory

Inventory is valued using the first-in-first-out method (FIFO). Inventory is recorded at the lower of cost or market. Obsolete inventory is written off in the period it is deemed worthless.

Investments

Investments are carried at market value or cost where market value is not determinable. Investments are amortized from the date of purchase to scheduled maturity dates and the unamortized amounts are included in the cost of the investments.

The District has certain reserves set aside to provide for future sewer line and plant expansion. The funding philosophy of the District is to have reserves available for projects that may arise rather than bond again or use debt financing. In 1989, the District's Board of Trustees established specific reserves to provide funds for lines and plant renewal, upgrading and expansion to insure sufficient capacity for future growth, and to meet requirements mandated by the Utah State Board of Health and the United States Environmental Protection Agency. Accordingly, two special accounts were created with an escrow agent for the "Dedicated Sewer Line Repair, Replacement and Expansion Fund" and the "Dedicated Treatment Plant Repair, Replacement and Expansion Fund". These investments consist of investments in the Utah Public Treasurer's Investment Fund and are classified as non-current investments in the balance sheet.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at either historical cost or estimated historical 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.

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

Sewer mains and system	50 years
Office building, garage and improvements	5-40 years
Furniture and fixtures	8 years
Automobile and trucks	5 years
Tools and equipment	8 years

Deferred Revenue

Sewer fees are billed to customers in advance of the period in which the expenses are to be incurred. Those sewer fees received in advance of the period of expense are shown in the accompanying financial statements as deferred revenue. Sewer fees are recognized as revenue as they are earned throughout the year.

Contributed Sewer Lines

The District receives title to various sewer lines that have been constructed by real estate developers. The District must certify that all sewer lines meet required specifications. Upon certification, the District records the fair value of the sewer lines as property and are depreciated under the depreciation policies of the District.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accumulated Leave

District employees are entitled to certain accumulated leave benefits based on their length of employment. Unused sick leave can be accumulated up to 1,080 hours and must be used by employees at retirement as follows: 1) sick leave must be cashed out at one fourth the accumulated value, and 2) the remaining accumulated value must be used to pay for health care premiums from retirement date until fully expended, the balance is also available for a Medicare supplement until fully expended. Employees that are terminated before retirement forfeit any sick leave benefits. Unused vacation leave is accumulated up to the current year allocation plus 120 hours.

Revenues and Expenses

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are sewer fees for conveyance and wastewater treatment services. Although property tax revenues are for maintenance and operations, they are classified as non-operating revenues in accordance with GASB 34 and GASB 9.

Operating expenses include the costs associated with the conveyance and treatment of wastewater, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Pension Plans

The District participates in the State Retirement System. Pension cost is combined with employee benefits and is recorded on an accrual basis. The District's policy is to fund pension costs as they occur.

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. The county assessor must make a valuation of all real property every year. Property taxes are delinquent after November 30. The District's tax rate for 2009 and 2008 was .000187 and .000161, respectively. The statutory maximum set by the state is .0008 for operations and maintenance. There is no maximum for reduction of general obligation bonds.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Accounting

For management and control purposes, the District adopts and maintains an annual budget, which is maintained on a cash basis. Items budgeted, but not expended, are not carried over to succeeding years. Each budget item must be re-approved each year.

Income Taxes

The District is exempt from all federal and state income taxes as a political division created by Utah State Law.

Reclassifications

Certain reclassifications were made to the December 31, 2008 financial statements in order to conform to the December 31, 2009 financial statement presentation.

Use of Estimates in the Preparation of Financial Statements

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. DEPOSITS 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 that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management 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.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

The balance sheet captions, which relate to deposits and investments, are summarized as follows:

	2009	2008
Cash	$ 2,373,754	$ 233,289
Investments	5,458,606	8,613,856
Non-current investments	6,271,108	6,270,632
	$ 14,103,468	$ 15,117,777

Deposits

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. At December 31, 2009 and 2008, the carrying amount of the District's cash was $2,373,754 and $233,289; respectively, and the bank balance was $264,256 and $487,138, respectively. Of the bank balance, $250,000 and $250,000 was covered for 2009 for 2008, respectively, by Federal depository insurance and the remaining balances were held in a sweep account invested in short-term U.S. Government Securities and, therefore, may be exposed to certain credit risk.

Investments

The Money Management 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 nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse purchase 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 State Treasury including bills, notes, and bonds; bonds, notes or 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.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management 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 pool shares.

As of December 31, 2009, the District had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Municipal Bonds	$ 100,000	$ 100,000			
State of Utah Public Treasurer's Investment Fund	$11,629,714	$11,629,714			

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

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Zion's Bank CD's	$ 999,524	$ 999,524			
State of Utah Public Treasurer's Investment Fund	$13,884,964	$13,884,964			

2. DEPOSITS AND INVESTMENTS (CONTINUED)

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 State's Money Management 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. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, 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 2 years.

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 State's Money Management Act previously discussed. As if December 31, 2009 and 2008, the District's investments in the State of Utah Public Treasurer's Investment Fund 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 this 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 the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of 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.

3. CAPITAL ASSETS

A summary of the District's capital asset activity and accumulated depreciation for the years ended December 31, 2009 and 2008 follows:

December 31, 2009

	CAPITAL ASSETS			
	Balance 12/31/08	Additions	Deletions	Balance 12/31/09
Assets not being depreciated:				
Land	$ 449,836	$ -	$ -	$ 449,836
	449,836	-	-	449,836
Assets being depreciated				
Sewer main	9,243,293	252,000	-	9,495,293
Sewer systems	20,358,692	-	-	20,358,692
Office & garage	1,985,310	33,787	(12,027)	2,007,069
Furniture & fixtures	861,105	-	(652,377)	208,728
Automobiles & trucks	1,674,770	-	(523,857)	1,150,913
Tools & equipment	883,702	36,819	(441,901)	478,621
	35,006,872	322,606	(1,630,162)	33,699,316
	$ 35,456,708	$ 322,606	$(1,630,162)	$ 34,149,152

	ACCUMULATED DEPRECIATION			
	Balance 12/31/08	Additions	Deletions	Balance 12/31/09
Sewer main	$ 3,337,506	$ 174,142	$ -	$ 3,511,648
Sewer systems	14,351,211	242,029	-	14,593,240
Office & garage	1,149,237	59,102	(12,027)	1,196,312
Furniture & fixtures	853,130	5,340	(652,377)	206,093
Automobiles & trucks	1,318,689	143,700	(523,857)	938,533
Tools & equipment	754,660	44,000	(441,901)	356,758
	$ 21,764,433	$ 668,313	$(1,630,162)	$ 20,802,584

3. CAPITAL ASSETS (CONTINUED)

December 31, 2008

	CAPITAL ASSETS			
	Balance 12/31/07	Additions	Deletions	Balance 12/31/08
Assets not being depreciated:				
Land	$ 449,836	$ -	$ -	$ 449,836
	449,836	-	-	449,836
Assets being depreciated				
Sewer main	8,784,223	459,070	-	9,243,293
Sewer systems	20,358,692	-	-	20,358,692
Office & garage	1,977,355	7,955	-	1,985,310
Furniture & fixtures	861,105	-	-	861,105
Automobiles & trucks	1,669,018	45,911	(40,159)	1,674,770
Tools & equipment	856,243	36,659	(9,200)	883,702
	34,506,636	549,595	(49,359)	35,006,872
	$ 34,956,472	$ 549,595	$ (49,359)	$ 35,456,708

	ACCUMULATED DEPRECIATION			
	Balance 12/31/07	Additions	Deletions	Balance 12/31/08
Sewer main	$ 3,167,048	$ 170,458	$ -	$ 3,337,506
Sewer systems	14,098,551	252,660	-	14,351,211
Office & garage	1,090,217	59,020	-	1,149,237
Furniture & fixtures	839,517	13,613	-	853,130
Automobiles & trucks	1,200,133	158,715	(40,159)	1,318,689
Tools & equipment	708,952	45,708	-	754,660
	$ 21,104,418	$ 700,174	$ (40,159)	$ 21,764,433

4. PROPERTY TAX REVENUE

The District's tax rate is .000187. During 1999, the District repaid all of its general obligation bonds and the portion of property tax revenue that was originally allocated to repay the general obligation bonds was reallocated, by board resolution, to meet the operating and maintenance needs of the District.

4. PROPERTY TAX REVENUE (CONTINUED)

Property tax revenues are derived from four major sources: (1) general property assessments on real estate and improvements to real estate, (2) personal property assessments on mobile homes, business equipment, etc., (3) age based assessments on motor vehicles, and (4) delinquent tax collections, interest, and fees.

Property tax revenue for the years ended December 31, 2009 and 2008 was as follows:

	2009	2008
Total property taxes for the year	$ 1,509,929	$ 1,521,809
Property tax receivable at December 31	$ 69,297	$ 54,707

5. UNREMITTED PROPERTY LIENS

Unremitted property liens as of December 31, 2009 and 2008, in the amount of $79,216 and $57,194 respectively, represent the total amount of past due accounts receivable which have been referred to the Salt Lake County Treasurer's office for attachment to the related real estate property as liens. However, in 2004 the Utah State Legislature passed HB56 which prohibits the District from collecting from the current owner a previous owner's arrearage for sewer service provided to the property before the current owner's ownership, absent a valid lien. Most of these amounts may not be collectible because of the District's inability to terminate or monitor service and track owners if they move without paying for their service.

6. INVESTMENT IN CVWRF JOINT VENTURE

During 1978, the District entered into a joint venture with four other special districts and two cities. The joint venture was organized under the name of Central Valley Water Reclamation Facility (CVWRF) to operate a regional sewage treatment facility for the benefit of all its members. The joint venture is owned by each of the seven members and is administered by a seven-member 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. Each member is billed its share of operation and capital costs based on the members usage and ownership percentage.

6. INVESTMENT IN CVWRF JOINT VENTURE (CONTINUED)

The District incurred the following costs from the CVWRF joint venture:

	2009	2008
Treatment costs	$ 2,078,251	$ 1,882,426
Administration	350,390	315,799
Pretreatment costs	10,599	9,637
Laboratory	146,723	128,754
Interception monitoring	9,814	16,035
Engineering and safety	99,261	77,650
	$ 2,695,038	$ 2,430,301

The District accounts for its investment in CVWRF joint venture using the equity method of accounting. The following is a summary of the CVWRF joint venture's financial position as of December 31, 2009 and 2008, and the results of its operations for the years then ended. The amounts at December 31, 2009 and 2008 were obtained from audited financial statements provided by Central Valley Water Reclamation Facility and are available on the Utah State Auditor's website at *www.sao.state.ut.us*.

	2009	2008
Current assets	$ 6,822,347	$ 5,951,003
Capital assets, net	97,888,981	98,047,074
Notes receivable	64,741	104,795
Due from members	28,190,000	25,225,000
Other assets	93,711	93,711
Total assets	$ 133,059,780	$ 129,421,583
Current liabilities	$ 3,767,495	$ 3,093,792
Non-current liabilities	30,182,640	27,974,435
Net assets	99,109,645	98,353,356
Total liabilities and equity	$ 133,059,780	$ 129,421,583

6. INVESTMENT IN CVWRF JOINT VENTURE (CONTINUED)

Operating revenues	$ 11,333,000	$ 11,139,158
Operating expenses	17,161,223	17,608,525
Net operating loss	(5,828,223)	(6,469,367)
Other	435,483	111,310
Net loss	$ (5,392,740)	$ (6,358,057)

The member entities have decided not to fund depreciation and amortization through contributions to the joint venture. The offset is, in effect, a reduction of member contributions for the CVWRF joint venture in the equity section and reflects the need for contributions in future years.

The District's investment in CVWRF joint venture for the years ended December 31, 2009 and 2008 is $24,600,444 and $24,376,401, respectively. Change in the investment is summarized as follows:

Investment at January 1, 2009	$ 24,376,401
Capital contributions	1,570,659
Loss from CVWRF joint venture	(1,346,616)
Investment at December 31, 2009	$ 24,600,444

7. DUE TO MEMBER

During the 2005 year, the CVWRF issued taxable sewer revenue bonds totaling $35,000,000 to fund the post-1993 ownership of the treatment facility. The bonds bear interest at 3.00%. The District's share of the original bonds is $7,256,752.

A portion of the revenue bonds issued during 2005 was distributed to the members. Although the bonds are in the name of CVWRF, the members are responsible to fund debt service requirements over the life of the bonds. The amount distributed to members in 2005 was $23,000,000. Additional bond funds drawn down as of December 31, 2006 ($7,585,000) were used to construct secondary clarifiers at CVWRF. Additional bond funds drawn down as of December 31, 2008 ($725,000) were used to construct ultraviolet treatment system at CVWRF. Additional bond funds drawn down as of December 31, 2009 ($3,690,000) were used to construct ultraviolet treatment system at CVWRF. The District's share of the $23,000,000 is $4,408,643. The District's share of the $7,585,000 is $1,718,435. The District's share of the $725,000 is $150,319. The District's share of the $3,690,000 is $979,355. As of December 31, 2009 total principle payments on revenue bond debt totaled $1,091,499.

7. DUE TO MEMBER (CONTINUED)

The District's portion of revenue bond debt service requirements to maturity are as follows:

Year	Payment	Principle	Interest
2010	$ 478,349	$ 301,607	$ 176,742
2011	487,918	312,008	175,910
2012	488,958	322,408	166,550
2013	481,366	324,488	156,877
2014-2019	2,890,813	2,165,332	725,480
2020-2024	2,417,268	2,129,971	287,297
2025	627,724	609,441	18,284
Total	$ 7,872,396	$ 6,165,254	$ 1,707,140

8. PENSION PLAN

Plan Description: The District contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustment, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (The 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 State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy: The District is required to contribute 11.62% of the annual covered salary for the period beginning January 2009 through June 2009, and 11.66% of the annual covered salary for the period beginning July 2009 through December 2009. The contribution rates are actuarially determined rates and contribution requirements are authorized by statute and specified by the Board.

The District's contributions to the Noncontributory System for the years ending December 31, 2009, 2008, and 2007 were $169,755, $160,040, and $148,214, respectively. The contributions were equal to the required contributions for each year.

8. PENSION PLAN (CONTINUED)

The District also participates in the State's 401(k) Plan. Employees covered by any of the State retirement plans are eligible to participate. The Board of the Systems administers this plan.

The District incurred expense for employer-paid contributions to the 401(k) Plan for the years ended December 31, 2009, 2008, and 2007 of $38,646, $36,469, and $33,860, respectively.

9. COMMITMENTS AND CONTINGENCIES

At times the District has been involved in unasserted claims or assessments in the ordinary course of operations. Any potential gain or loss contingencies resulting from such matters are not considered to be material.

10. SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification 855, Subsequent Events, the District has evaluated subsequent events through May 17, 2010, which is the date these financial statements were issued. All subsequent events requiring recognition as of May 17, 2010, have been incorporated into these financial statements herein.

OTHER REPORTS

HEB Certified Public Accountants

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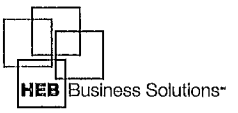

REPORT OF INDEPENDENT AUDITORS ON STATE LEGAL COMPLIANCE

To the Board of Trustees of
Salt Lake City Suburban Sanitary District #1

We have audited the financial statements of Salt Lake City Suburban Sanitary District #1, for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 30, 2010. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Cash Management	Other Compliance Requirements
Purchasing Requirements	Special Service and Local Districts
Budgetary Compliance	Impact Fees
Truth in Taxation	

The District did not receive any major or nonmajor State grants during the years ended December 31, 2009 and 2008.

The management of Salt Lake City Suburban Sanitary District #1 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 audits.

We conducted our audits 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 audits 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 audits provide 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, Salt Lake City Suburban Sanitary District #1, complied in all material respects, with the general compliance requirements identified for the years ended December 31, 2009 and 2008.

This report is intended for the use of the District's management, Board of Trustees and applicable state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

HUBER, ERICKSON & BOWMAN, LLC.
Certified Public Accountants
May 26, 2010

HEB Certified Public Accountants

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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

HEB Business Solutions™

To the Board of Trustees of
Salt Lake City Suburban Sanitary District #1:

We have audited the financial statements of Salt Lake City Suburban Sanitary District #1 as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 26, 2010. We conducted our audits 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 audits, we considered Salt Lake City Suburban Sanitary District #1'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 our 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity'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 significant deficiencies or material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salt Lake City Suburban Sanitary District #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 and other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Board of Trustees, management, and applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

HUBER, ERICKSON & BOWMAN, LLC.
Certified Public Accountants
May 26, 2010