

**MT. OLYMPUS
IMPROVEMENT DISTRICT**

FINANCIAL STATEMENTS

DECEMBER 31, 2012 and 2011

WITH

REPORT OF INDEPENDENT AUDITORS

**MT. OLYMPUS IMPROVEMENT DISTRICT
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REPORT OF INDEPENDENT AUDITORS



To the Board of Trustees of Mt. Olympus Improvement District

Report on the Financial Statements

We have audited the accompanying basic financial statements of Mt. Olympus Improvement District, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

**To the Board of Trustees of
Mt. Olympus Improvement District
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

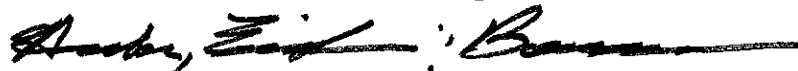
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mt. Olympus Improvement District as of December 31, 2012 and 2011, and the related changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2013, on our consideration of Mt. Olympus Improvement 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audits.



HUBER, ERICKSON & BOWMAN, LLC.
Salt Lake City, Utah
May 9, 2013

As management of the Mt. Olympus Improvement 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, 2012. 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 (now referred to as a Local 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 local districts and two cities to create the Central Valley Water Reclamation Facility (CVWRF), a regionalized wastewater treatment facility in which the District owns a 25.6% undivided interest.

On August 13, 2012 the District adopted a name change from Salt Lake City Suburban Sanitary District No.1 to Mt. Olympus Improvement District to help distinguish it from Salt Lake City and other local government agencies.

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, a large portion of The City of Holladay, and a small portion of Murray City, thus serving a population of approximately 184,000 residents and businesses. The District owns, operates and maintains 9,011 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

- ▶ Total net position for 2012 was \$43,398,435. Of this amount, \$12,145,946 (District Capital Assets) and the \$22,810,650 Investment in CVWRF Joint Venture (therefore classified as an Unrestricted Asset), represent land, wastewater collection and treatment systems, buildings, vehicles, and equipment. The remaining \$8,441,839 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 assets increased by \$433,733 mainly due an increase in the certified tax rate from 0.000202 to 0.000391, and a \$1 dollar rate increase in sewer fees per RE.
- ▶ The District's total liabilities decreased by \$213,401 during the current fiscal year. The decrease is mainly due to the decrease in the Revenue bond payable.

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 position (formally statement of net assets, but changed per GASB Statement No. 63 & 65) presents information on all of the District's assets and liabilities, with the difference between the two reported as net positions. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the District.

The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$43,398,435 as of December 31, 2012.

The largest portion of the District's net position, 72% reflects unrestricted net position. The remaining portion of the District's net position, 28% 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 represents 73% of unrestricted net assets.

Mt. Olympus Improvement District

	2012	2011	2010
Current and other assets	\$34,727,990	\$34,046,476	\$35,462,574
Capital assets (net of accumulated depreciation)	12,145,946	12,393,727	12,882,881
Total assets	46,873,936	46,440,203	48,345,455
Long-term liabilities outstanding	2,455,787	2,747,207	3,044,032
Other liabilities	1,019,714	941,695	949,158
Total liabilities	3,475,501	3,688,902	3,993,190
Net position:			
Invested in capital assets, net of related debt	12,145,946	12,393,727	12,882,881
Unrestricted	31,252,489	30,357,574	31,469,384
Total net position	\$43,398,435	\$42,751,301	\$44,352,265

During the years ended December 31, 2012 and 2011, the District's net position increased by \$647,134 and decreased by \$1,600,964, respectively. The increase in 2012 is due to a service rate & tax rate increase that was greater than the annual depreciation amount. The 2011 decrease is a reflection of the District's policy of not funding depreciation.

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

Mt. Olympus Improvement District

	2012	2011	2010
Operating Revenues:			
Sewer fees	\$4,957,137	\$4,336,175	\$3,698,360
Other	107,565	162,521	133,939
Total operating revenues	5,064,702	4,498,696	3,832,299

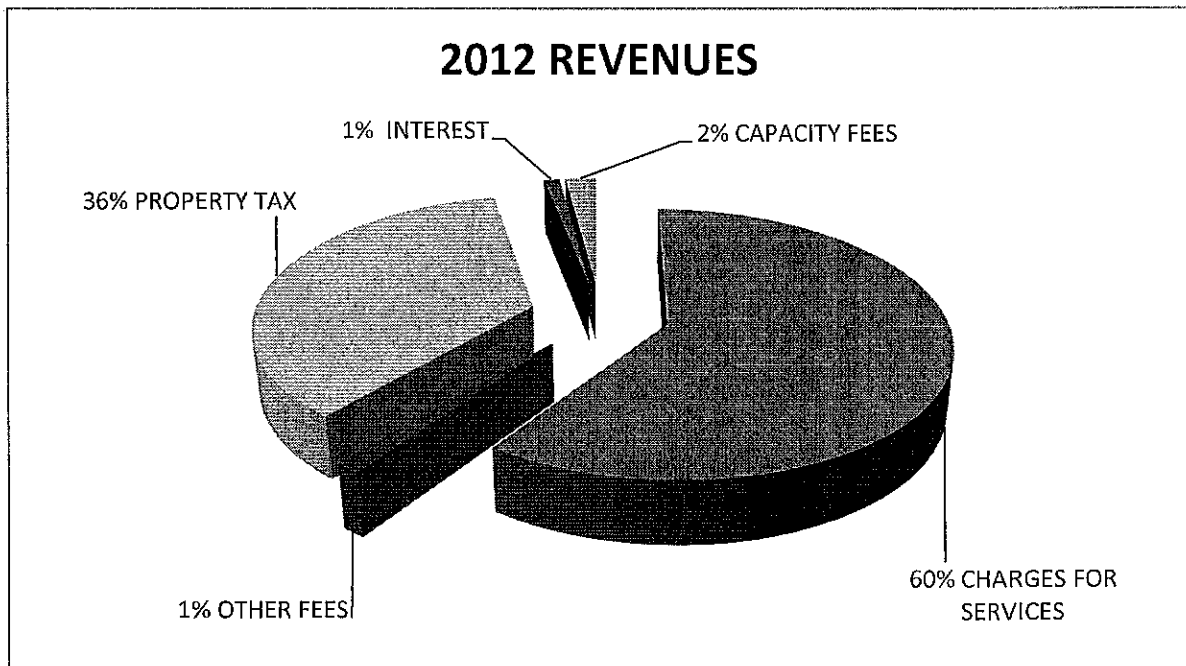
MT. OLYMPUS IMPROVEMENT DISTRICT
Management's Discussion and Analysis
December 31, 2012 and 2011

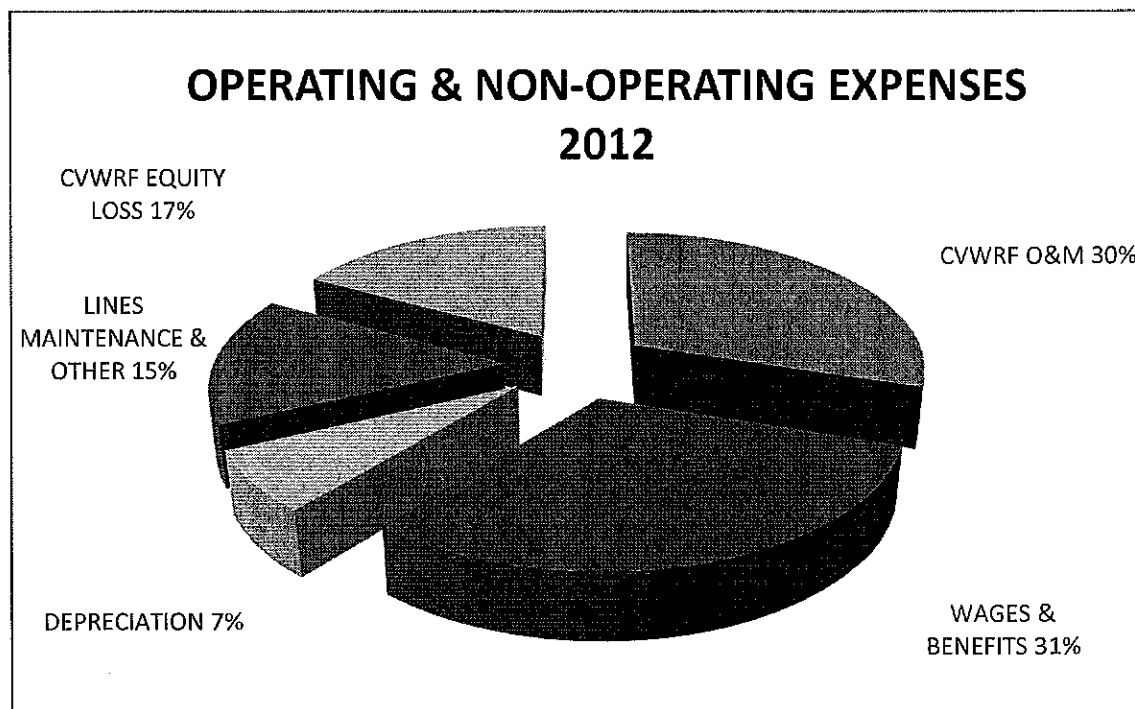
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	2012	2011	2010
Operating Expenses:			
Wages and employee benefits	2,410,179	2,371,310	2,349,400
Operating expenses from CVWRF joint venture	2,383,661	2,711,289	2,736,081
Depreciation	532,505	586,921	625,279
Other	1,201,231	958,539	896,751
Total operating expenses	<u>6,527,576</u>	<u>6,628,059</u>	<u>6,607,511</u>
Net loss from operations	(1,462,874)	(2,129,363)	(2,775,212)
Non-Operating Revenues (Expenses):			
County property taxes	2,974,644	1,569,190	1,564,017
Interest income (expense) and other	107,102	63,809	11,160
Equity in loss from CVWRF joint venture	<u>(1,322,760)</u>	<u>(1,318,807)</u>	<u>(285,381)</u>
Total non-operating revenues (expenses)	<u>1,758,986</u>	<u>314,192</u>	<u>1,289,796</u>
Capital Contributions:			
Capacity fees	172,850	169,450	181,750
Developer contributed sewer lines	<u>178,172</u>	<u>44,757</u>	<u>121,170</u>
Total capital contributions	<u>351,022</u>	<u>214,207</u>	<u>302,920</u>
Increase (decrease) in net position	647,134	(1,600,964)	(1,182,496)
Net position – Beginning	<u>42,751,301</u>	<u>44,352,265</u>	<u>45,534,761</u>
Net position – Ending	<u>\$43,398,435</u>	<u>\$42,751,301</u>	<u>\$44,352,265</u>

- Sewer fees increased by \$620,962 or 14.32% and \$637,815 or 17.25% for the year ended December 31, 2012 and 2011, respectively. The increase for the year ended December 31, 2012 is attributable to an increase in the number of new connections totaling 137 and a rate increase from \$7 to \$8 per residential equivalent. The increase for the year ended December 31, 2011 is attributable to a rate increase from \$6 per residential equivalent to \$7 per residential equivalent per month and an increase in the number of new connections totaling 426.
- Property taxes increased by \$1,405,454 or 89.57%. and increased by \$5,173 or .33%, during the years ended December 31, 2012 and 2011, respectively. The increase during the year ended December 31, 2012, is due to a tax rate increase from 0.000202 to 0.000391 and a slight increase in the District's tax base.

- ▶ Interest income from investments increased by \$33,028 and decreased by \$34,344 for the years ended December 31, 2012 and 2011, respectively. The increase is the result additional sewer fees and property tax revenue to be invested in 2012. The 2011 decrease is the result of falling interest rates due to economic issues.
- ▶ 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 \$1,912,523 and \$1,878,653 for the year ended December 31, 2012 and 2011, respectively, which accounts for the majority of the decrease in net position.
- ▶ Capital contributions increased by \$136,815 for the year ended December 31, 2012. The increase is attributable to a higher number of building projects finalized within the district in the past year.





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 2012, the District collected approximately 5.19 billion gallons of wastewater removing approximately 3,498 dry tons of organic pollutants measured by the consumption of oxygen by bacteria (BOD) and another 3,313 tons of suspended solids (TSS). This represents a daily average of 14.23 million gallons per day of wastewater and 19,166 pounds per day of BOD and 18,156 pounds per day of TSS. This waste stream was generated by 27,386 billing accounts using 51,527 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, clerical, accounting and administration. This staff of 23 full-time employees is governed by a three member Board of Trustees. Annual funding of operations is the result of adopting an 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.

Mt. Olympus Improvement District
Budget vs. Actual (Cash Basis)
Year Ended December 31, 2012

	2012 Budget (Original)	Actual	Variance
Revenues:			
Operating revenue	\$ 4,937,136	\$ 4,986,327	\$ 49,191
Property taxes	2,856,710	2,831,775	(24,935)
Interest income	118,000	170,493	52,493
Capacity fees	129,750	172,850	43,100
Other	174,802	107,565	(67,237)
	<u>8,216,398</u>	<u>8,269,010</u>	<u>52,612</u>
Expenses:			
Sewer lines	2,480,695	1,872,900	607,795
Pretreatment	276,368	276,667	(299)
CVWRF facility	2,882,116	2,443,733	438,383
CVWRF facility additions	427,887	411,342	16,545
CVWRF bond redemptions	300,000	300,000	-
Administration	1,050,177	954,979	95,198
Interest expense	83,600	74,189	9,411
Engineering and inspection	461,005	374,033	86,972
Paying agent	3,340	3,240	100
Property additions (net non-cash items)	92,961	106,552	(13,591)
	<u>8,058,149</u>	<u>6,817,635</u>	<u>1,240,514</u>
Excess (Deficit) of Revenues over Expenses	<u>158,249</u>	<u>1,451,375</u>	<u>1,293,126</u>
Use of (addition to) District reserves	<u>(158,249)</u>	<u>(1,451,375)</u>	<u>(1,293,126)</u>
Excess of Revenues over Expenses Including Reserves	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Differences between the actual and budget for the year 2012 can be briefly summarized as follows:

- ▶ \$52,612 favorable variance for total revenue, mainly due to increase in sewer fees and interest associated with increased property tax deposits.
- ▶ \$1,240,514 favorable variance for total expenses. Departmental expense budgets came in under budget for 2012, but three main items contributed to this favorable balance.

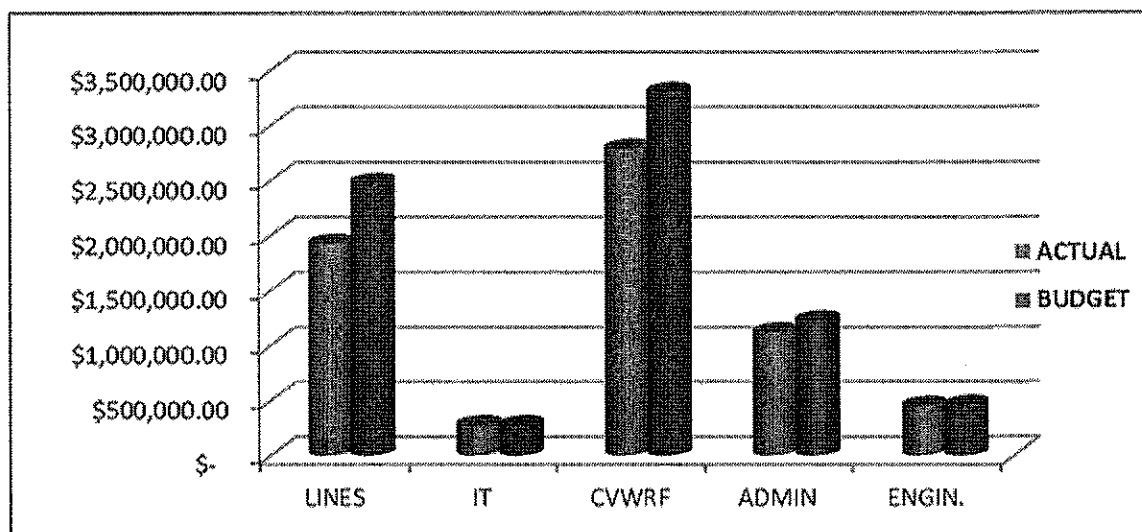
MT. OLYMPUS IMPROVEMENT DISTRICT

Management's Discussion and Analysis

December 31, 2012 and 2011

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- ▶ 1- CVWRF operating and capital budgets contributed to \$454,928 of the favorable variance, due to lower flow demands in 2012.
- ▶ 2- Lines operations and maintenance came under budget by \$607,795, due to ability to rehabilitate lines vs. replacement.
- ▶ 3- Administration budget for professional fees and wages came under budget by \$95,198.



Capital Assets

The District's investment in capital assets for its business-type activities as of December 31, 2012, amounts to \$12,145,946 (net of accumulated depreciation). This investment in capital assets includes land, sewer systems, automobiles, equipment.

Mt. Olympus Improvement District Capital Assets (Net of depreciation)

	2012	2011	2010
Land	\$ 449,836	\$ 449,836	\$ 449,836
Sewer main	9,839,521	9,661,348	9,616,591
Sewer systems	20,358,692	20,358,692	20,358,691
Office & garage	2,007,069	2,007,069	2,007,069
Furniture & fixtures	208,728	208,728	208,728
Automobiles & trucks	1,148,272	1,129,676	1,150,913
Tools & equipment	457,867	552,678	518,916
Total	34,469,985	34,368,027	34,310,744
Less accumulated depreciation	(22,324,039)	(21,974,300)	(21,427,863)
Grand Total	\$ 12,145,946	\$ 12,393,727	\$ 12,882,881

MT. OLYMPUS IMPROVEMENT DISTRICT

Management's Discussion and Analysis

December 31, 2012 and 2011

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Reserve Funds

The District held \$10,618,572 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 \$8.00 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 .000391.

Long Term Debt -Revenue Bonds, Series 2010

Under the direction of the Board of Trustees a three member team consisting of the General Manager, Controller and a Board Member, along with the services of George K Baum & Company presented to Standard & Poor's a presentation about the District and its financial position to obtain a bond rating. On August 31, 2010 Standard & Poor's issued the District a AA+ rating. On November 29th, 2012, Standard & Poor's performed a midterm review of the District financial statements and forecasted financial position and reconfirmed their issued rating of AA+.

Based on the AA+ Bond rating and the ability to secure a lower interest rate of 2.4%, with an approx. \$500,000 savings, The Board of Trustees approved and issued Revenue Bonds with a par amount of \$2,815,000 on September 29, 2010.

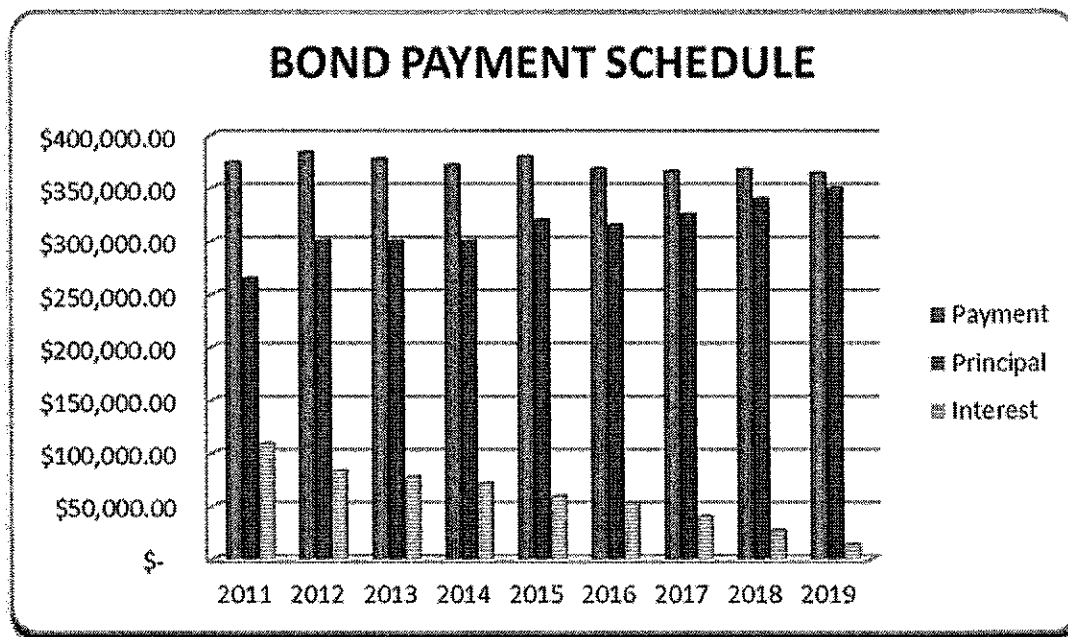
Terms of the long term debt are as followed:

- Net coupon rate of 2.4%, 9-Year term.
- 5-Year par call feature.
- Principal is due annually on December 15 for years 2011 - 2019.
- Interest is due semi-annually on June 15 and December 15 for Years 2011-2019.
- Debt service fund set aside in the amount of \$298,500 and a Rate Stabilization Fund of \$1,200,000.

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

SLCSSD#1 Sewer Revenue Refunding Bonds, Series 2010

Year	Payment	Principal	Interest
2013	\$ 377,600	\$ 300,000	\$ 77,600
2014	371,600	300,000	71,600
2015	379,600	320,000	59,600
2016	368,200	315,000	53,200
2017	365,600	325,000	40,600
2018	367,600	340,000	27,600
2019	364,000	350,000	14,000
Total	\$ 2,594,200	\$ 2,250,000	\$ 344,200



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

MT. OLYMPUS IMPROVEMENT DISTRICT**Balance Sheets****December 31, 2012 and 2011****Page 14**

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
Current Assets		
Cash	\$ 383,743	\$ 2,144,710
Investments	4,342,986	1,125,933
Accounts receivable	202,572	228,977
Interest receivable	45	4,607
Tax collections receivable	203,484	60,615
Unremitted property liens	116,228	103,478
Prepaid insurance	25,689	25,907
Inventory-gas, oil, parts	46,732	38,798
Total Current Assets	<u>5,321,479</u>	<u>3,733,025</u>
Investments	<u>6,275,586</u>	<u>6,271,108</u>
Investment in CVWRF Joint Venture	<u>22,810,650</u>	<u>23,722,068</u>
Working Capital Advances to CVWRF Joint Venture	<u>320,275</u>	<u>320,275</u>
Capital Assets		
Land	449,836	449,836
Sewer systems and equipment	34,020,149	33,918,191
Less accumulated depreciation	(22,324,039)	(21,974,300)
Net Capital Assets	<u>12,145,946</u>	<u>12,393,727</u>
Total Assets	<u>\$ 46,873,936</u>	<u>\$ 46,440,203</u>

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

LIABILITIES AND NET POSITION

	<u>2012</u>	<u>2011</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 125,754	\$ 71,689
Accounts payable - CVWRF joint venture	198,801	258,873
Payroll and payroll taxes payable	68,491	-
Deposits	2,600	6,600
Unearned revenue	324,068	304,533
Revenue bond payable - current portion	<u>300,000</u>	<u>300,000</u>
Total Current Liabilities	<u>1,019,714</u>	<u>941,695</u>
Long-Term Liabilities		
Accumulated leave	325,199	307,208
Bond premium	180,588	189,999
Revenue bond payable - long-term portion	<u>1,950,000</u>	<u>2,250,000</u>
Total Long-Term Liabilities	<u>2,455,787</u>	<u>2,747,207</u>
Total Liabilities	<u>3,475,501</u>	<u>3,688,902</u>
Net Position		
Invested in capital assets, net of related debt	12,145,946	12,393,727
Unrestricted	<u>31,252,489</u>	<u>30,357,574</u>
Total Net Position	<u>43,398,435</u>	<u>42,751,301</u>
Total Liabilities and Net Position	<u><u>\$ 46,873,936</u></u>	<u><u>\$ 46,440,203</u></u>

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

MT. OLYMPUS IMPROVEMENT DISTRICT**Statements of Revenues, Expenses, and Changes in Net Position****Years Ended December 31, 2012 and 2011****Page 16**

	2012	2011
Operating Revenues		
Sewer fees	\$ 4,957,137	\$ 4,336,175
Inspection fees	5,300	4,075
Nose-on	5,800	4,300
Penalties	89,071	143,779
Miscellaneous operating revenue	7,394	10,367
Total Operating Revenues	5,064,702	4,498,696
Operating Expenses		
Wages and salaries	1,589,116	1,551,363
Employee benefits	821,063	819,947
Truck and auto expense	130,359	105,666
Line repairs and maintenance	575,091	373,942
Supplies	11,992	12,290
Electric power	22,862	15,475
Other utilities	12,772	12,898
Telephone	16,935	17,339
Uniforms	8,045	7,256
Emergency	4,507	16,013
Subscriptions and training	46,714	51,673
Insurance	53,296	57,506
Operating expenses from CVWRF joint venture	2,383,661	2,711,289
Building maintenance	30,597	25,450
Legal services	60,927	51,625
Audit and accounting fees	11,400	11,600
Nose-on expense	6,377	709
Blue Stakes	7,537	7,390
District trustee fee and expenses	15,000	13,333
Postage	74,190	74,778
Data processing	17,077	13,471
Depreciation	532,505	586,921

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

MT. OLYMPUS IMPROVEMENT DISTRICT**Statements of Revenues, Expenses, and Changes in Net Position (Continued)****Years Ended December 31, 2012 and 2011****Page 17**

	2012	2011
Miscellaneous	49,087	69,125
Bad debt expense	4,795	5,124
Professional services	41,671	15,602
Election expenses	-	274
Total Operating Expenses	6,527,576	6,628,059
Loss from Operations	(1,462,874)	(2,129,363)
Non-Operating Revenues (Expenses)		
Interest income	165,931	132,903
County property taxes	2,974,644	1,569,190
Paying agent fees	(3,240)	(3,240)
Gain on sale of property and equipment	18,600	14,982
Interest expense	(74,189)	(80,836)
Equity loss from CVWRF joint venture	(1,322,760)	(1,318,807)
Net Non-Operating Revenues	1,758,986	314,192
Net Income (Loss) Before Capital Contributions	296,112	(1,815,171)
Capital Contributions		
Capacity fees	172,850	169,450
Developer contributed sewer lines	178,172	44,757
Total Capital Contributions	351,022	214,207
Increase (Decrease) in Net Position	647,134	(1,600,964)
Net Position - Beginning of Year	42,751,301	44,352,265
Net Position - End of Year	\$ 43,398,435	\$ 42,751,301

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

MT. OLYMPUS IMPROVEMENT DISTRICT
Statements of Cash Flows
Years Ended December 31, 2012 and 2011

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	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 5,097,892	\$ 4,411,610
Payments to vendors	(3,602,615)	(3,702,041)
Payments to employees	<u>(2,323,697)</u>	<u>(2,362,895)</u>
Net Cash Used In Operating Activities	<u>(828,420)</u>	<u>(1,653,326)</u>
Cash Flows From Non-Capital Financing Activities		
Property taxes collected	2,831,775	1,573,600
Miscellaneous non-capital items	<u>(3,240)</u>	<u>(3,240)</u>
Net Cash Provided By Non-Capital Financing Activities	<u>2,828,535</u>	<u>1,570,360</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of property and equipment	(106,552)	(59,380)
Bond issuance premium	(9,411)	(5,240)
Cash received for capacity fees	172,850	169,450
Cash paid on revenue bonds	<u>(374,189)</u>	<u>(369,432)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(317,302)</u>	<u>(264,602)</u>

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

MT. OLYMPUS IMPROVEMENT DISTRICT
Statements of Cash Flows (Continued)
Years Ended December 31, 2012 and 2011

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	<u>2012</u>	<u>2011</u>
Cash Flows From Investing Activities		
Net payments from purchases of investments	(3,216,969)	362,246
Cash received from sale of property and equipment	18,600	21,752
Interest received from investments	165,931	132,903
Net (contributions to) distributions from CVWRF joint venture	<u>(411,342)</u>	<u>(240,555)</u>
Net Cash Provided by Investing Activities	<u>(3,443,780)</u>	<u>276,346</u>
Net Decrease in Cash	(1,760,967)	(71,222)
Cash, Beginning of Year	<u>2,144,710</u>	<u>2,215,932</u>
Cash, End of Year	<u><u>\$ 383,743</u></u>	<u><u>\$ 2,144,710</u></u>

Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities

Developer contributed sewer lines were \$178,172 and \$44,757 in 2012 and 2011, respectively.

The District recognized a loss from its investment in CVWRF joint venture of \$1,322,760 and \$1,318,807 in 2012 and 2011, respectively.

During 2012, the District sold fully depreciated property and equipment with a cost of \$182,766, for \$18,600.

During 2011, the District sold partially depreciated property and equipment with a net book value of \$5,986 for \$21,752, resulting in a gain of \$14,982.

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

MT. OLYMPUS IMPROVEMENT DISTRICT
Statements of Cash Flows (Continued)
Years Ended December 31, 2012 and 2011

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	<u>2012</u>	<u>2011</u>
Reconciliation of Loss from Operations to Net Cash Used in Operating Activities		
Loss from Operations	\$ (1,462,874)	\$ (2,129,363)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	532,505	586,921
(Increase) decrease in assets:		
Accounts receivable	26,405	(82,665)
Unremitted tax liens	(12,750)	(3,722)
Prepaid insurance	218	2,264
Inventory	(7,934)	(15,909)
Increase (decrease) in liabilities:		
Accounts payable	(6,007)	(23,366)
Deposits liability	(4,000)	4,800
Deferred revenue	19,535	(701)
Payroll and payroll taxes payable	68,491	-
Accumulated sick leave liability	17,991	8,415
Net Cash Used In Operating Activities	<u><u>\$ (828,420)</u></u>	<u><u>\$ (1,653,326)</u></u>

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mt. Olympus Improvement District (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

Mt. Olympus Improvement District, formerly 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. Effective August 13, 2012, the board of directors passed a resolution to change the name of the District from Salt Lake City Suburban Sanitary District #1 to Mt. Olympus Improvement District.

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 position 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. Accordingly, two special accounts were created with an escrow agent for the “District Lines and Central Valley Reserve Fund” and the “Bond Debt Reserve 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	3-8 years

Unearned 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 2,080 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 2012 and 2011 was .000391 and .000202, respectively. The statutory maximum set by the state is .0008 for operations and maintenance. There is no maximum for reduction of general obligation bonds.

MT. OLYMPUS IMPROVEMENT DISTRICT

Notes to Financial Statements

December 31, 2012 and 2011

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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, 2011 financial statements in order to conform to the December 31, 2012 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.

MT. OLYMPUS IMPROVEMENT DISTRICT**Notes to Financial Statements****December 31, 2012 and 2011****Page 26****2. DEPOSITS AND INVESTMENTS (CONTINUED)**

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

	2012	2011
Cash	\$ 383,743	\$ 2,144,710
Investments	4,342,986	1,125,933
Non-current investments	6,275,586	6,271,108
	<u>\$ 11,002,315</u>	<u>\$ 9,541,751</u>

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, 2012 and 2011, the carrying amount of the District's cash was \$383,743 and \$2,144,710; respectively, and the bank balance was \$390,348 and \$2,352,357, respectively. Of the bank balance, \$250,000 and \$250,000 was covered for 2012 and 2011, 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.

MT. OLYMPUS IMPROVEMENT DISTRICT**Notes to Financial Statements****December 31, 2012 and 2011****Page 27****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, 2012, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Municipal Bonds	\$ 100,000		\$ 100,000		
Certificates of Deposit	\$ 100,000		\$ 100,000		
Corporate Bonds	\$ 1,241,824		\$ 1,241,824		
State of Utah Public Treasurer's Investment Fund	\$ 9,176,748	\$ 9,176,748			

As of December 31, 2011, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Certificates of Deposit	\$ 100,000		\$ 100,000		
State of Utah Public Treasurer's Investment Fund	\$ 7,297,041	\$ 7,297,041			

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 of December 31, 2012 and 2011, 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.

MT. OLYMPUS IMPROVEMENT DISTRICT**Notes to Financial Statements****December 31, 2012 and 2011****Page 29****3. CAPITAL ASSETS**

A summary of the District's capital asset activity and accumulated depreciation for the years ended December 31, 2012 and 2011 follows:

December 31, 2012

CAPITAL ASSETS				
	Balance 12/31/11	Additions	Deletions	Balance 12/31/12
Assets not being depreciated:				
Land	\$ 449,836	\$ -	\$ -	\$ 449,836
	449,836	-	-	449,836
Assets being depreciated				
Sewer main	9,661,348	178,173	-	9,839,521
Sewer systems	20,358,692	-	-	20,358,692
Office & garage	2,007,069	-	-	2,007,069
Furniture & fixtures	208,728	-	-	208,728
Automobiles & trucks	1,129,676	55,931	(37,335)	1,148,272
Tools & equipment	552,678	50,620	(145,431)	457,867
	33,918,191	284,724	(182,766)	34,020,149
	<u>\$ 34,368,027</u>	<u>\$ 284,724</u>	<u>\$(182,766)</u>	<u>\$ 34,469,985</u>

ACCUMULATED DEPRECIATION				
	Balance 12/31/11	Additions	Deletions	Balance 12/31/12
Sewer main	\$ 3,858,801	\$ 171,395	\$ -	\$ 4,030,196
Sewer systems	15,064,470	222,973	-	15,287,443
Office & garage	1,309,870	53,284	-	1,363,154
Furniture & fixtures	208,345	107	-	208,452
Automobiles & trucks	1,077,620	40,745	(37,335)	1,081,030
Tools & equipment	455,194	44,001	(145,431)	353,764
	<u>\$ 21,974,300</u>	<u>\$ 532,505</u>	<u>\$(182,766)</u>	<u>\$ 22,324,039</u>

MT. OLYMPUS IMPROVEMENT DISTRICT**Notes to Financial Statements****December 31, 2012 and 2011****Page 30****3. CAPITAL ASSETS (CONTINUED)**December 31, 2011

CAPITAL ASSETS				
	Balance			Balance
	12/31/10	Additions	Deletions	12/31/11
Assets not being depreciated:				
Land	\$ 449,836	\$ -	\$ -	\$ 449,836
	449,836	-	-	449,836
Assets being depreciated				
Sewer main	9,616,591	44,757	-	9,661,348
Sewer systems	20,358,692	-	-	20,358,692
Office & garage	2,007,069	-	-	2,007,069
Furniture & fixtures	208,728	-	-	208,728
Automobiles & trucks	1,150,913	24,833	(46,070)	1,129,676
Tools & equipment	518,915	33,763	-	552,678
	33,860,908	103,353	(46,070)	33,918,191
	\$ 34,310,744	\$ 103,353	\$ (46,070)	\$ 34,368,027

ACCUMULATED DEPRECIATION				
	Balance			Balance
	12/31/10	Additions	Deletions	12/31/11
Sewer main	\$ 3,686,163	\$ 172,638	\$ -	\$ 3,858,801
Sewer systems	14,825,395	239,075	-	15,064,470
Office & garage	1,254,626	55,244	-	1,309,870
Furniture & fixtures	208,238	107	-	208,345
Automobiles & trucks	1,048,119	69,985	(40,484)	1,077,620
Tools & equipment	405,322	49,872	-	455,194
	\$ 21,427,863	\$ 586,921	\$ -	\$ 21,974,300

4. PROPERTY TAX REVENUE

The District's tax rate is .000391. 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.

MT. OLYMPUS IMPROVEMENT DISTRICT**Notes to Financial Statements****December 31, 2012 and 2011****Page 31****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, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Total property taxes for the year	<u>\$ 2,974,644</u>	<u>\$ 1,569,190</u>
Property tax receivable at December 31	<u>\$ 203,484</u>	<u>\$ 60,615</u>

5. UNREMITTED PROPERTY LIENS

Unremitted property liens as of December 31, 2012 and 2011, in the amount of \$116,228 and \$103,478, 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 local 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 entities 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.

MT. OLYMPUS IMPROVEMENT DISTRICT**Notes to Financial Statements****December 31, 2012 and 2011****Page 32****6. INVESTMENT IN CVWRF JOINT VENTURE (CONTINUED)**

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

	<u>2012</u>	<u>2011</u>
Treatment costs	\$ 1,865,245	\$ 2,077,188
Administration	204,617	306,115
Pretreatment costs	83,767	52,269
Laboratory	131,659	140,199
Interception monitoring	7,020	8,416
Engineering and safety	<u>91,353</u>	<u>127,102</u>
	<u>\$ 2,383,661</u>	<u>\$ 2,711,289</u>

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, 2012 and 2011, and the results of its operations for the years then ended. The amounts at December 31, 2012 and 2011 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.

	<u>2012</u>	<u>2011</u>
Current assets	\$ 3,972,309	\$ 4,876,342
Capital assets, net	91,035,045	94,795,228
Due from members	9,756,000	10,401,000
Other assets	<u>93,711</u>	<u>93,711</u>
Total assets	<u>\$ 104,857,065</u>	<u>\$ 110,166,281</u>
Current liabilities	\$ 1,749,475	\$ 2,599,269
Non-current liabilities	11,457,883	12,143,228
Net assets	<u>91,649,707</u>	<u>95,423,784</u>
Total liabilities and equity	<u>\$ 104,857,065</u>	<u>\$ 110,166,281</u>

MT. OLYMPUS IMPROVEMENT DISTRICT**Notes to Financial Statements****December 31, 2012 and 2011****Page 33****6. INVESTMENT IN CVWRF JOINT VENTURE (CONTINUED)**

Operating revenues	\$ 11,106,441	\$ 11,380,374
Operating expenses	<u>16,641,050</u>	<u>16,996,971</u>
Net operating loss	(5,534,609)	(5,616,597)
Other	<u>1,760,532</u>	<u>1,310,026</u>
Net loss	<u>\$ (3,774,077)</u>	<u>\$ (4,306,571)</u>

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, 2012 and 2011 is \$22,810,650 and \$23,722,068, respectively. Change in the investment is summarized as follows:

Investment at January 1, 2012	\$ 23,722,068
Capital contributions	411,342
Loss from CVWRF joint venture	<u>(1,322,760)</u>
Investment at December 31, 2012	<u>\$ 22,810,650</u>

7. REVENUE BONDS PAYABLE

During 2010, the District issued \$2,815,000 Sewer Revenue Refunding Bonds. The bond proceeds were used to refund a portion of the District's outstanding revenue bonds to CVWRF. The bond was issued for a net reoffering premium of \$195,239, which is recorded as a deferred gain on refunding and is included in the new debt in the balance sheet. The deferred gain is being amortized over the life of the new debt.

MT. OLYMPUS IMPROVEMENT DISTRICT**Notes to Financial Statements****December 31, 2012 and 2011****Page 34****7. REVENUE BONDS PAYABLE (CONTINUED)**

Revenue bond debt service requirements to maturity are as follows:

Year	Payment	Principle	Interest
2013	\$ 377,600	\$ 300,000	\$ 77,600
2014	371,600	300,000	71,600
2015	379,600	320,000	59,600
2016	368,200	315,000	53,200
2017	365,600	325,000	40,600
2018	367,600	340,000	27,600
2019	364,000	350,000	14,000
Total	\$ 2,594,200	\$ 2,250,000	\$ 344,200

The District's revenue bonds require net revenues of at least 125% of the forthcoming year's debt service requirement. The District met the net revenue requirements for the year ended December 31, 2012.

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 13.77% of the annual covered salary for the period beginning January 2012 through June 2012, and 16.04% of the annual covered salary for the period beginning July 2012 through December 2012. The contribution rates are actuarially determined rates and contribution requirements are authorized by statute and specified by the Board.

MT. OLYMPUS IMPROVEMENT DISTRICT

Notes to Financial Statements

December 31, 2012 and 2011

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8. PENSION PLAN (CONTINUED)

The District's contributions to the Noncontributory System for the years ending December 31, 2012, 2011, and 2010 were \$228,574, \$202,884, and \$186,135, respectively. The contributions were equal to the required contributions for each year.

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, 2012, 2011, and 2010 of \$41,959, \$40,098, and \$39,317, 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 9, 2013, which is the date these financial statements were issued. All subsequent events requiring recognition as of May 9, have been incorporated into these financial statements herein.

OTHER REPORTS



**REPORT OF INDEPENDENT AUDITORS
ON COMPLIANCE IN ACCORDANCE WITH THE STATE OF UTAH LEGAL
COMPLIANCE AUDIT GUIDE**

To the Board of Trustees of
Mt. Olympus Improvement District

We have audited Mt. Olympus's compliance with general compliance requirements described in the State of Utah Legal Compliance Audit Guide for the years ended December 31, 2012 and 2011. The general compliance requirements applicable to the District are as follows:

Cash Management	Other Compliance Requirements
Purchasing Requirements	Special Service and Local Districts
Budgetary Compliance	Fund Balance
Truth in Taxation	Public Debt

The District did not receive any major or nonmajor State grants during the years ended December 31, 2012 and 2011.

Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on compliance with these 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; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the requirements referred to above could have a material effect on the general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide legal determination of the District's compliance with those requirements.

In our opinion, Mt. Olympus Improvement District, complied, in all material respects, with the general compliance requirements identified above for the years ended December 31, 2012 and 2011.

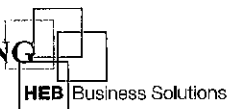
**To the Board of Trustees of
Mt. Olympus Improvement District
Page 38**

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.

A handwritten signature in black ink, appearing to read "Huber, Erickson & Bowman", with a stylized flourish at the end.

**HUBER, ERICKSON & BOWMAN, LLC.
Certified Public Accountants
May 9, 2013**

**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**



To the Board of Trustees of
Mt. Olympus Improvement District:

We have audited 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, the financial statements of Mt. Olympus Improvement District, which comprise the balance sheets as of December 31, 2012 and 2011, and the statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mt. Olympus Improvement 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 and other matters that are required to be reported under Government Auditing Standards.

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

A handwritten signature in black ink, appearing to read "Huber, Erickson & Bowman", with a stylized flourish at the end.

HUBER, ERICKSON & BOWMAN, LLC.
Certified Public Accountants
May 9, 2013