

**MIDWAY CITY
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

Honorable City Council
Midway City Corporation
Midway, Utah

December 10, 2014

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midway City, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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 and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midway City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the redevelopment agency special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Midway City's basic financial statements. The combining and individual non-major fund financial statements, and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014 on our consideration of the Midway City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Midway City's internal control over financial reporting and compliance.

GILBERT & STEWART, CPA, PC

Gilbert & Stewart

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MIDWAY CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

This document is a narrative overview and analysis of the financial activities of Midway City for the fiscal year ending June 30, 2014. Midway City management encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities include basic services such as public safety, public works, parks and recreation, cemetery and general government administration, while business-type activities include water and ice rink. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Government activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities.
- The Statement of Activities focuses gross and net costs of city programs and the extent to which such programs rely upon general tax and revenues. This statement summarizes the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major government funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major government funds are presented in their own column and the remaining funds are combined into a column titled "Other Government Funds." A budgetary comparison is presented for the general fund, which is the only fund for which a budget is legally adopted. Statements for the City's proprietary funds follow the governmental funds and include net position, revenues, expenses and changes in net position, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Readers desiring additional information on nonmajor funds can find it in the Combining Statements of Nonmajor Funds section of this report. Completing the financial section of the report are schedules on capital assets and other financial schedules.

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

**MIDWAY CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Government-wide Financial Statements

A condensed version of the Statement of Net Position at June 30, 2014 and 2013 follows:

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
ASSETS						
Cash and investments	\$ 6,249,204	\$ 5,560,391	\$ 2,439,158	\$ 2,675,754	\$ 8,688,362	\$ 8,236,145
Other assets	954,038	934,283	2,831,273	2,831,676	3,785,311	3,765,959
Capital assets	<u>11,351,561</u>	<u>11,165,432</u>	<u>29,833,244</u>	<u>28,122,507</u>	<u>41,184,805</u>	<u>39,287,939</u>
Total assets	<u>18,554,803</u>	<u>17,660,106</u>	<u>35,103,675</u>	<u>33,629,937</u>	<u>53,658,478</u>	<u>51,290,043</u>
LIABILITIES						
Current liabilities	606,756	470,420	133,569	121,963	740,325	592,383
Noncurrent liabilities	<u>134,613</u>	<u>130,859</u>	<u>-</u>	<u>-</u>	<u>134,613</u>	<u>130,859</u>
Total liabilities	<u>741,369</u>	<u>601,279</u>	<u>133,569</u>	<u>121,963</u>	<u>874,938</u>	<u>723,242</u>
Deferred inflows of resources	<u>652,678</u>	<u>646,400</u>	<u>-</u>	<u>-</u>	<u>652,678</u>	<u>646,400</u>
Total liabilities & deferred inflows	<u>1,394,047</u>	<u>1,247,679</u>	<u>133,569</u>	<u>121,963</u>	<u>1,527,616</u>	<u>1,369,642</u>
NET POSITION						
Net investment in capital assets	11,351,561	11,165,432	29,833,244	28,122,507	41,184,805	39,287,939
Restricted	1,468,801	1,556,541	203,015	385,270	1,671,816	1,941,811
Unrestricted	<u>4,340,394</u>	<u>3,690,454</u>	<u>4,933,847</u>	<u>5,000,197</u>	<u>9,274,241</u>	<u>8,690,651</u>
Total net position	<u>\$17,160,756</u>	<u>\$16,412,427</u>	<u>\$34,970,106</u>	<u>\$33,507,974</u>	<u>\$52,130,862</u>	<u>\$49,920,401</u>

During the year ended June 30, 2014 there were some significant events that changed the components of net position. An explanation of these events follows:

Governmental Activities:

- Cash has increased by \$688,813 compared to 2013. Most of this increase is in unrestricted funds.
- The City invested \$699,213 in new capital outlays, while depreciation expense was close to that amount at \$513,085.

**MIDWAY CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Business-Type Activities:

- The business –type activities saw a decrease in cash of \$236,596.
- This decrease in cash was caused by a significant amount of money invested in capital improvements in the Water Fund in the amount of \$1,266,394.
- Capital was also contributed to the Water Fund from developers in the form of infrastructure and water stock. The total amount contributed came to \$485,270. A condensed version of the Statement of Activities follows:

A condensed version of the Statement of Activities at June 30, 2014 and 2013 follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 714,223	\$ 560,337	\$ 1,218,496	\$ 1,018,095	\$ 1,932,719	\$ 1,578,432
Operating grants	218,857	257,854	-	-	218,857	257,854
Capital grants	332,588	255,496	648,570	133,400	981,158	388,896
General revenues:						
Taxes	2,302,749	2,099,415	-	-	2,302,749	2,099,415
Interest	29,945	30,352	50,258	158,655	80,203	189,007
Transfers & misc.	(236,259)	27,300	252,950	465,211	16,691	492,511
Total revenues	<u>3,362,103</u>	<u>3,230,754</u>	<u>2,170,274</u>	<u>1,775,361</u>	<u>5,532,377</u>	<u>5,006,115</u>
Expenses:						
General government	1,173,031	974,557	-	-	1,173,031	974,557
Public safety	228,394	220,754	-	-	228,394	220,754
Economic development	104,294	107,013	-	-	104,294	107,013
Highway and public works	708,902	649,703	-	-	708,902	649,703
Parks and recreation	311,481	240,521	-	-	311,481	240,521
Cemetery	87,672	82,613	-	-	87,672	82,613
Water	-	-	663,074	531,368	663,074	531,368
Ice Rink	-	-	45,068	49,912	45,068	49,912
Total expenses	<u>2,613,774</u>	<u>2,275,161</u>	<u>708,142</u>	<u>581,280</u>	<u>3,321,916</u>	<u>2,856,441</u>
Change in net assets	<u>748,329</u>	<u>955,593</u>	<u>1,462,132</u>	<u>1,194,081</u>	<u>2,210,461</u>	<u>2,149,674</u>
Beginning net assets	<u>16,412,427</u>	<u>15,456,834</u>	<u>33,507,974</u>	<u>32,313,893</u>	<u>49,920,401</u>	<u>47,770,727</u>
Ending net assets	<u>\$ 17,160,756</u>	<u>\$ 16,412,427</u>	<u>\$ 34,970,106</u>	<u>\$ 33,507,974</u>	<u>\$ 52,130,862</u>	<u>\$ 49,920,401</u>

**MIDWAY CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Governmental activities:

For the year ended June 30, 2014, the total revenues for the governmental activities were \$3,362,103. Program revenues totaled \$1,265,668. The major sources of program revenues are building permits, impact fees, and capital grants. General revenues for the year totaled \$2,096,435, which is netted with the transfer to business-type activities in the amount of \$252,950. The major sources of general revenues are taxes and interest earnings. Taxes comprise 71% of the City's general fund revenues. Tax revenues increased by \$172,437 compared to the prior year.

Business-type activities:

For the year ended June 30, 2014, the total revenues for the business-type activities were \$2,170,274. Program revenues total \$1,867,066. The majority of the revenue is from charges for services of the enterprise funds. The general revenues in the business-type activities consist of \$50,258 in interest and joint venture income and a transfer in from governmental activities of \$252,950. The water fund had operating income of \$555,422 while the ice rink fund had an operating loss of \$45,068. The Water Fund received \$485,270 in capital contributions in the form of infrastructure and water stock.

Budgetary Highlights

Over the course of the year the City Council revised the budget to make modifications to accommodate unexpected expenditures and revenues. In total, the general fund's expenditures were \$141,209 less than was budgeted. In total, the actual revenues in the general fund were \$52,484 above the budgeted amounts.

Capital Assets

At June 30, 2014 the City had \$41,184,805 invested in capital assets, including park and recreation facilities, buildings, roads, bridges, water lines, and the ice rink facilities. This amount represents a net increase (additions, deductions, and depreciation) of \$1,896,866 or 4.8% over last year.

Capital Assets at Year-end

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 3,628,832	\$ 3,443,772	\$ -	\$ -	\$ 3,628,832	\$ 3,443,772
Construction in Progress	-	-	61,150	-	61,150	-
Water Stock	-	-	21,415,800	20,990,800	21,415,800	20,990,800
Buildings	2,591,190	2,540,665	25,053	25,053	2,616,243	2,565,718
Improvements	2,017,267	1,983,817	-	-	2,017,267	1,983,817
Infrastructure	8,429,164	8,061,902	9,846,937	8,641,693	18,276,101	16,703,595
Machinery & Equipment	1,132,584	1,124,242	479,163	221,984	1,611,747	1,346,226
Vehicles	158,674	104,100	-	-	158,674	104,100
Ice Rink	-	-	339,016	339,016	339,016	339,016
Subtotal	17,957,711	17,258,498	32,167,119	30,218,546	50,124,830	47,477,044
Accum Depreciation	(6,606,150)	(6,093,066)	(2,333,875)	(2,096,039)	(8,940,025)	(8,189,105)
Capital Assets, Net	<u>\$ 11,351,561</u>	<u>\$ 11,165,432</u>	<u>\$ 29,833,244</u>	<u>\$ 28,122,507</u>	<u>\$ 41,184,805</u>	<u>\$ 39,287,939</u>

MIDWAY CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Capital Assets (Continued)

The most significant additions to capital assets in the governmental activities were \$102,213 in improvements to the Town Square parking lot, \$195,680 in improvements along Middle Pine Canyon Road, \$69,369 in improvements on Lime Canyon, and the land acquisition on 30 N and 100 W for \$185,060.

The most significant additions to capital assets in the business-type activities were \$257,179 for an ice rink chiller, \$342,495 in Middle Canyon improvements, \$384,307 in improvements at Alpenhoff Well, \$418,171 in improvements to the Gerber Line, and the contribution of water stock in the amount of \$425,000.

Debt Outstanding

At year-end, the City had \$102,000 in long term liabilities outstanding versus \$112,000 last year, a decrease of \$10,000.

There was a total of \$10,000 in debt retired during the year.

A more detailed description on long-term liabilities is provided in the footnotes to the financial statements.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Recorder at PO Box 277, Midway, Utah 84049.

BASIC FINANCIAL STATEMENTS

MIDWAY CITY
STATEMENT OF NET POSITION
JUNE 30, 2014

Assets	Governmental Activities	Business-type Activities	Total
Cash	\$ 4,780,402	\$ 2,236,143	\$ 7,016,545
Restricted Cash	1,468,802	203,015	1,671,817
Accounts Receivable (Net)	41,211	12,432	53,643
Due From Other Governments	912,827	-	912,827
Inventory	-	20,000	20,000
Investment in Joint Venture	-	2,798,841	2,798,841
Capital Assets:			
Land	3,628,832	-	3,628,832
Construction in Progress	-	61,150	61,150
Water Stock	-	21,415,800	21,415,800
Buildings	2,591,190	25,053	2,616,243
Improvements	2,017,267	-	2,017,267
Infrastructure	8,429,164	9,846,937	18,276,101
Machinery and Equipment	1,291,258	479,163	1,770,421
Ice Rink	-	339,016	339,016
Less Accumulated Depreciation	(6,606,150)	(2,333,875)	(8,940,025)
Total Capital Assets, Net	11,351,561	29,833,244	41,184,805
Total Assets	18,554,803	35,103,675	53,658,478
 Liabilities and Deferred Inflows of Resources			
Accounts Payable	137,424	133,569	270,993
Accrued Liabilities	50,497	-	50,497
Deposits and Bonds	418,835	-	418,835
Noncurrent Liabilities:			
Due in Less Than One Year	10,000	-	10,000
Due in More Than One Year	124,613	-	124,613
Total Liabilities	741,369	133,569	874,938
Deferred Inflows of Resources	652,678	-	652,678
Total Liabilities and Deferred Inflows of Resources	1,394,047	133,569	1,527,616
NET POSITION			
Net Investment in Capital Assets	11,351,561	29,833,244	41,184,805
Restricted For:			
Class "C" Roads	219,527	-	219,527
Highway Tax	91,599	-	91,599
Impact Fees	839,007	203,015	1,042,022
Perpetual Care	318,668	-	318,668
Unrestricted	4,340,394	4,933,847	9,274,241
Total Net Position	\$ 17,160,756	\$ 34,970,106	\$ 52,130,862

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

**MIDWAY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	Program Revenues			Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental Activities							
General Government	\$ 1,173,031	\$ 487,608	\$ 305	\$ -	\$ (685,118)	\$ -	\$ (685,118)
Public Safety	228,394	11,858	59,825	-	(156,711)	-	(156,711)
Economic Development	104,294	48,491	-	-	(55,803)	-	(55,803)
Highways and Public Works	708,902	94,444	158,727	200,750	(254,981)	-	(254,981)
Parks and Recreation	311,481	38,517	-	131,838	(141,126)	-	(141,126)
Cemetery	87,672	33,305	-	-	(54,367)	-	(54,367)
Total Governmental Activities	<u>2,613,774</u>	<u>714,223</u>	<u>218,857</u>	<u>332,588</u>	<u>(1,348,106)</u>	<u>-</u>	<u>(1,348,106)</u>
Business-type Activities							
Water	663,074	1,218,496	-	648,570	-	1,203,992	1,203,992
Ice Rink	45,068	-	-	-	-	(45,068)	(45,068)
Total Business-type Activities	<u>708,142</u>	<u>1,218,496</u>	<u>-</u>	<u>648,570</u>	<u>-</u>	<u>1,158,924</u>	<u>1,158,924</u>
Total Government	<u>\$ 3,321,916</u>	<u>\$ 1,932,719</u>	<u>\$ 218,857</u>	<u>981,158</u>	<u>(1,348,106)</u>	<u>1,158,924</u>	<u>(189,182)</u>
General Revenues:							
Taxes							
Property					786,864	-	786,864
Sales and Use					556,365	-	556,365
Telecommunication and Franchise					370,077	-	370,077
Room Tax					66,352	-	66,352
Resort Tax					407,477	-	407,477
Highway Tax					115,614	-	115,614
Interest and Investment Earnings					29,945	50,258	80,203
Miscellaneous					16,691	-	16,691
Transfers					(252,950)	252,950	-
Total General Revenues and Transfers					<u>2,096,435</u>	<u>303,208</u>	<u>2,399,643</u>
Change in Net Position					<u>748,329</u>	<u>1,462,132</u>	<u>2,210,461</u>
Net Position at Beginning of Year					<u>16,412,427</u>	<u>33,507,974</u>	<u>49,920,401</u>
Net Position at End of Year					<u>\$ 17,160,756</u>	<u>\$ 34,970,106</u>	<u>\$ 52,130,862</u>

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

**MIDWAY CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2014**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 847,022	\$ 3,884,899	\$ 48,481	\$ 4,780,402
Restricted Cash	-	1,150,133	318,669	1,468,802
Accounts Receivable	41,211	-	-	41,211
Due From Other Governments	912,827	-	-	912,827
TOTAL ASSETS	<u>\$ 1,801,060</u>	<u>\$ 5,035,032</u>	<u>\$ 367,150</u>	<u>\$ 7,203,242</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 104,376	\$ 7,864	\$ 25,184	\$ 137,424
Accrued Liabilities	50,497	-	-	50,497
Deposits and Bonds	418,835	-	-	418,835
TOTAL LIABILITIES	<u>573,708</u>	<u>7,864</u>	<u>25,184</u>	<u>606,756</u>
DEFERRED INFLOWS OF RESOURCES	<u>652,678</u>	<u>-</u>	<u>-</u>	<u>652,678</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,226,386</u>	<u>7,864</u>	<u>25,184</u>	<u>1,259,434</u>
FUND BALANCES				
Restricted for:				
Class C Roads	-	219,527	-	219,527
Highway Tax	-	91,599	-	91,599
Park Impact Fees	-	127,264	-	127,264
Trails Impact Fees	-	147,296	-	147,296
Transportation Impact Fees	-	564,447	-	564,447
Perpetual Care	-	-	318,668	318,668
Committed:				
Park Construction	-	79,034	-	79,034
Assigned:				
Capital Projects	-	3,798,001	-	3,798,001
CDRA Fund	-	-	11,233	11,233
MBA Fund	-	-	12,065	12,065
Unassigned	574,674	-	-	574,674
TOTAL FUND BALANCES	<u>574,674</u>	<u>5,027,168</u>	<u>341,966</u>	<u>5,943,808</u>
TOTAL LIABILITIES, DEFERRED OUTFLOWS AND FUND BALANCES	<u>\$ 1,801,060</u>	<u>\$ 5,035,032</u>	<u>\$ 367,150</u>	<u>\$ 7,203,242</u>

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

MIDWAY CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances--total governmental funds	\$ 5,943,808
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Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund financial statements.	11,351,561
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Those liabilities consist of:

MBA Lease Revenue Bonds	(102,000)
Compensated Absences	<u>(32,613)</u>

Net position of governmental activities	<u><u>\$ 17,160,756</u></u>
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The accompanying notes are an integral part of these financial statements.

MIDWAY CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,302,749	\$ -	\$ -	\$ 2,302,749
Licenses and Permits	491,992	-	-	491,992
Intergovernmental	218,857	-	-	218,857
Charges for services	109,715	-	12,525	122,240
Other Revenues	125,346	20,008	1,273	146,627
Impact Fees	-	332,588	-	332,588
Total Revenues	<u>3,248,659</u>	<u>352,596</u>	<u>13,798</u>	<u>3,615,053</u>
EXPENDITURES				
Current Operating:				
General Government	1,084,971	1,770	-	1,086,741
Public Safety	228,394	-	-	228,394
Economic Development	25,000	-	79,294	104,294
Highways and Public Works	266,449	86,412	-	352,861
Parks and Recreation	167,832	47,185	-	215,017
Cemetery	77,501	3,740	-	81,241
Tourism and Culture	24,189	-	-	24,189
Debt Service:				
Principal	-	-	10,000	10,000
Interest	-	-	2,800	2,800
Other	-	-	1,400	1,400
Capital Outlay				
General Government	8,342	330,719	-	339,061
Highways and Public Works	61,653	265,048	-	326,701
Parks and Recreation	-	33,450	-	33,450
Total Expenditures	<u>1,944,331</u>	<u>768,324</u>	<u>93,494</u>	<u>2,806,149</u>
Excess of Revenues Over (Under) Expenditures	<u>1,304,328</u>	<u>(415,728)</u>	<u>(79,696)</u>	<u>808,904</u>
OTHER FINANCING SOURCES (USES)				
Transfers-In	-	1,188,467	93,494	1,281,961
Transfers-Out	<u>(1,534,911)</u>	<u>-</u>	<u>-</u>	<u>(1,534,911)</u>
Total Other Financing Sources (Uses)	<u>(1,534,911)</u>	<u>1,188,467</u>	<u>93,494</u>	<u>(252,950)</u>
Net Change in Fund Balances	<u>(230,583)</u>	<u>772,739</u>	<u>13,798</u>	<u>555,954</u>
Fund Balances at Beginning of Year	<u>805,257</u>	<u>4,254,429</u>	<u>328,168</u>	<u>5,387,854</u>
Fund Balances at End of Year	<u>\$ 574,674</u>	<u>\$ 5,027,168</u>	<u>\$ 341,966</u>	<u>\$ 5,943,808</u>

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

MIDWAY CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balance, total governmental funds \$ 555,954

Amounts reported for governmental activities
in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays	699,213	
Depreciation Expense	<u>(513,085)</u>	186,128

Revenues reported in the Statement of Activities in the prior year but not in the fund statements because they did not meet the criteria for being available in the fund statements for revenue recognition.

Repayment of debt principal and compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The debt principal repaid are as follows:

Payment on Bonds Payable	10,000	
Net change of Compensated Absences	<u>(3,753)</u>	<u>6,247</u>

Change in net position of governmental activities \$ 748,329

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

MIDWAY CITY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Water</u>	<u>Ice Rink</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$ 2,207,889	\$ 28,254	\$ 2,236,143
Accounts Receivable (Net)	12,432	-	12,432
Inventory	20,000	-	20,000
Total Current Assets	2,240,321	28,254	2,268,575
Noncurrent Assets:			
Restricted Cash	203,015	-	203,015
Investment in Joint Venture	2,798,841	-	2,798,841
Capital Assets:			
Water Stock	21,415,800	-	21,415,800
Construction in Progress	61,150	-	61,150
Water Distribution System	9,846,937	-	9,846,937
Buildings	-	25,053	25,053
Machinery and Equipment	157,504	321,659	479,163
Ice Sheet	-	339,016	339,016
Less Accumulated Depreciation	(2,190,696)	(143,179)	(2,333,875)
Total Capital Assets, Net	29,290,695	542,549	29,833,244
Total Noncurrent Assets	32,292,551	542,549	32,835,100
Total Assets	\$ 34,532,872	\$ 570,803	\$ 35,103,675
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 133,386	\$ 183	\$ 133,569
Total Current Liabilities	133,386	183	133,569
NET POSITION			
Net Investment in Capital Assets	29,290,695	542,549	29,833,244
Restricted for Impact Fees	203,015	-	203,015
Unrestricted	4,905,776	28,071	4,933,847
Total Net Position	34,399,486	570,620	34,970,106
Total Liabilities and Net Position	\$ 34,532,872	\$ 570,803	\$ 35,103,675

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

MIDWAY CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Water</u>	<u>Ice Rink</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$ 1,145,917	\$ -	\$ 1,145,917
Connection Fees	72,579	-	72,579
Total Operating Revenues	1,218,496	-	1,218,496
Operating Expenses:			
Salaries and Benefits	154,744	11,006	165,750
Maintenance and Supplies	116,201	5,791	121,992
Professional and Technical	17,403	-	17,403
Utilities	34,059	8,045	42,104
Depreciation	217,610	20,226	237,836
Contracted Services	81,072	-	81,072
Other	41,985	-	41,985
Total Operating Expenses	663,074	45,068	708,142
Operating Income (Loss)	555,422	(45,068)	510,354
Nonoperating Revenues (Expenses)			
Interest Revenue	11,508	-	11,508
Joint Venture Income (Loss)	38,750	-	38,750
Impact Fees	163,300	-	163,300
Total Nonoperating Revenues (Expenses)	213,558	-	213,558
Net Income (Loss) Before Contributions	768,980	(45,068)	723,912
Capital Contributions	485,270	-	485,270
Transfers In (Out)	(38,614)	291,564	252,950
Change in Net Position	1,215,636	246,496	1,462,132
Total Net Position - Beginning	33,183,850	324,124	33,507,974
Total Net Position - Ending	\$ 34,399,486	\$ 570,620	\$ 34,970,106

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

MIDWAY CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Water</u>	<u>Ice Rink</u>	<u>Total</u>
Cash Flows from Operating Activities			
Cash Received From Customers	\$ 1,128,407	\$ -	\$ 1,128,407
Cash Paid to Suppliers	(283,064)	(21,669)	(304,733)
Cash Paid to Employees	(154,744)	(11,006)	(165,750)
Net Cash Provided (Used) by Operating Activities	<u>690,599</u>	<u>(32,675)</u>	<u>657,924</u>
Cash Flows from Noncapital Financing Activities			
Transfers In/Out	(38,614)	291,564	252,950
Net Cash Used in Noncapital Financing Activities	<u>(38,614)</u>	<u>291,564</u>	<u>252,950</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Capital Assets	(1,103,713)	(257,179)	(1,360,892)
Impact Fees Collected	163,300	-	163,300
Net Cash in Capital and Related Financing Activities	<u>(940,413)</u>	<u>(257,179)</u>	<u>(1,197,592)</u>
Cash Flows from Investing Activities			
Interest on Investments	11,508	-	11,508
Dividends from Joint Venture	38,614	-	38,614
Net Cash Provided by Investing Activities	<u>50,122</u>	<u>-</u>	<u>50,122</u>
Net Increase (Decrease) in Cash	(238,306)	1,710	(236,596)
Cash - July 1	<u>2,649,210</u>	<u>26,544</u>	<u>2,675,754</u>
Cash - June 30	<u>\$ 2,410,904</u>	<u>\$ 28,254</u>	<u>\$ 2,439,158</u>
Noncash Investing and Financing:			
Contributions from Developers	<u>485,270</u>	<u>-</u>	<u>485,270</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 555,422	\$ (45,068)	\$ 510,354
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	217,610	20,226	\$ 237,836
Changes in Assets and Liabilities:			
Accounts Receivable	538	-	538
Accounts Payable	110,066	(7,833)	102,233
Accounts Payable - Related to Capital	(102,410)		(102,410)
Customer Deposits	(90,627)		(90,627)
Net Cash Provided by Operating Activities	<u>\$ 690,599</u>	<u>\$ (32,675)</u>	<u>\$ 657,924</u>

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

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The City has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*. Accordingly, the City has elected to apply all applicable GASB pronouncements and codified accounting standards issued by GASB. The more significant accounting policies established in GAAP and used by the City are discussed below.

B. Reporting Entity

Midway City Corporation was incorporated June 1,1891 by the State of Utah. The City operates under a Mayor-Council form of government and provides the following services: public safety, highways and public improvements, community development, parks, sanitation, health and social services, planning and zoning, and general administrative services.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards board (GASB). Under GASB Statement No. 61, *The Financial Reporting Entity*, the financial reporting entity consists of the following:

1. Primary government.
2. Municipal Building Authority as a blended component unit.
3. Community Development and Renewal Agency (CDRA) as a blended component unit.
4. Backnet Organization as a blended component unit.

Blended component units, although legally separate entities, are, in substance, part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds.

The Municipal Building Authority was created on May 3, 2000, under the provisions of the Utah Municipal Building Authority Act. The object and purposes are to acquire, improve, or extend one or more projects and to finance their costs on behalf of the City in accordance with and subject to the limitations of the Utah Municipal Building Authority Act and subject to prior authorization by the governing body of the City.

The Midway City Community Development and Renewal Agency (CDRA) was established to further public purposes in the development and renewal of certain city areas. The agency is reported as a blended component unit and is reported in its own fund.

Backnet is a law enforcement task force that has been established to provide additional law enforcement in the surrounding region. The City receives grants on behalf of Backnet and handles the accounting of these reimbursement grants inside the City's General Fund.

C. Basic Financial Statements

The City's basic financial statements consist of the government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basic Financial Statements (continued)

Government-Wide Financial Statements

Statement of Net Position - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end.

Statement of Activities - The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

D. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's various departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The following fund types are used by the City:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following describes the major governmental funds of the City:

General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

Capital Projects Fund accumulates funds over time for the long-term capital projects of governmental type acquisition and expansion.

The following describes the nonmajor governmental funds of the City:

Municipal Building Authority Special Revenue Fund is used to account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

Community Development and Renewal Agency (CDRA) Special Revenue Fund was established to further public purposes in the development and renewal of certain city areas.

Perpetual Care Fund is an expendable fund for cemetery care.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary Funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The following is a description of the proprietary funds of the City.

Enterprise Funds account for those operations that are financed and operated in a manner similar to private business enterprises or where the governing body had decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise funds include the water fund and ice sheet fund.

E. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

Government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time liability is incurred.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement Focus/Basis of Accounting (continued)

Fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

F. Assets, Liabilities and Equity

Deposits and Investments

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

Restricted Assets

Certain resources set aside as reserves in accordance with state statutes, grant requirements, or debt covenants are classified as restricted assets because their use is limited.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30 - 50
Improvements	20 - 40
Equipment	5-10
Infrastructure	20-40

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay and sick leave are accrued when incurred and are reported as a liability. Amounts not expected to be liquidated with expendable available financial resources are reported in the Statement of Net Position as a noncurrent liability.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

Long-term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of notes payable and bonds payable.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item reported under this category. *Unavailable revenue- property taxes* are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These amounts are reported in both the government-wide statements and the governmental fund statements.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets– Consists of 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.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to first apply restricted resources rather than unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

Equity Classifications (continued)

Fund Statements

The City has adopted GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. The statement applies only to fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The fund balances may be classified as follows:

- a. Non-spendable – Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balance – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provisions or enabling legislation, or restrictions set by creditors, grantors, or contributors. .
- c. Committed fund balance – Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City Council likewise formally changes the use.
- d. Assigned fund balance – Fund balances are reported as assigned when the City Council or Management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance – Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spend first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

G. Revenues and Expenditures

Interfund Transactions

Interfund services provided and used are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursement, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as non-operating transfers.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenues and Expenditures (continued)

Property Tax

Real property taxes are collected by the County Treasurer and remitted to the City after collection. Taxes are due and payable on November 1st and delinquent after 12 o'clock noon on November 30th of each year. The tax levy is established by June 15th with a lien date of January 1st. Property tax revenue is not recognized when levied, because it is not expected to be collected within 60 days after the end of the fiscal year.

Operating Revenues and Expenses

Operating revenues and expenses in the proprietary funds consist of those revenues that result from the ongoing principal operations of the City. Operating revenues consist of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Information

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act for Utah cities" by the Midway City Municipal Council on or before June 15th for the following fiscal year, which begins on July 1. Budgets may be increased by resolution of the Municipal Council at any time during the year, following a public hearing. Budgets are adopted at sub-department levels; however budget amendments by resolution are generally required only if the department desires to exceed its total budget appropriation.

The City adheres to the following procedures in establishing the budgetary data in the financial statements:

1. On or before May 1st, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to the formal adoption of the budget the City Council will hold budget workshop meetings, which are open to the public.
3. Prior to June 15th the City Council sets a date for a public budget hearing at which time taxpayers' comments are heard. Copies of the proposed budget are made available for public inspection 10 days prior to the budget hearing. At the conclusion of the budget hearing the budget, as amended, is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Capital Projects Fund, Special Revenue Funds, and Enterprise Funds.
5. Budgets for the General Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgets for the proprietary fund types are prepared using the accrual basis of accounting except that depreciation for all proprietary fund types is not budgeted. Budgeted amounts are as originally adopted, or as amended by the City Council during the fiscal year.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Budget Information (continued)

6. Unencumbered budget appropriations lapse at the end of the fiscal year.

Fund Equity Restrictions

Restricted for Class “C” Road - Reserve required to be kept that accounts for the receipt of class “C” road revenues and expenditures.

Restricted for Highway Tax- The City has imposed an additional tax on sales, the tax revenues are restricted for Highway use only, similar to Class C Road funds.

Restricted for Impact Fees - The City Council passed an ordinance providing for specific impact fees on all new construction. Impact fees include fees for parks, trails, transportation, and water. These fees are to be reserved for current and future costs to help defray a portion of the costs that naturally result from increased development.

Restricted for Perpetual Care - The City Council passed an ordinance providing for perpetual care fees to be set aside for maintenance at the City cemetery.

NOTE 3. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund’s portion of this pool is displayed as “Cash and Cash Equivalents” which also includes cash accounts that are separately held by some of the City’s funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of city funds in a “qualified depository”.

The Act defines a “qualified depository” as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2014, \$143,366 of the City’s bank balances of \$393,366 was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City 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.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. DEPOSITS AND INVESTMENTS

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Services or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivision 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 (PTIF).

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 the pool shares.

As of June 30, 2014, the City had the following investments and maturities:

	Carrying Amount	Market Value
Investments not subject to categorizations:		
Utah Public Treasurer's Investment Fund	\$ 8,386,947	\$ 8,433,127

The GASB Fair Value factor at June 30, 2014 was 1.00550620

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City’s investments are noted in the previous table.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s policy for reducing its exposure to credit risk is to comply with the State’s Money Management Act as previously discussed.

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 City’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 held in the portfolio. The City’s investment in the Utah Public Treasurer’s Investment Fund has no concentration of credit risk.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

The City’s investment in the Utah Public Treasurer’s Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2014, are as follows:

Cash on hand and on deposit:	
Cash on deposit	\$ 301,214
Petty cash	201
PTIF investment	<u>8,386,947</u>
Total cash and investments	<u><u>\$ 8,688,362</u></u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash	\$ 7,016,545
Restricted Cash	<u>1,671,817</u>
Total cash and investments	<u><u>\$ 8,688,362</u></u>

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

Accounts receivable for the City, including the applicable allowance for uncollectible accounts at June 30, 2014, are as follows:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>
Receivables:			
Individual accounts	\$ 2,134	\$ 16,963	\$ 19,097
Sales tax	99,190	-	99,190
Highway tax	20,441	-	20,441
Resort tax	69,284	-	69,284
Room tax	11,216	-	11,216
Telecommunication tax	8,847	-	8,847
Franchise tax	30,230	-	30,230
Property taxes - current	16,508	-	16,508
Property taxes - unavailable	652,678	-	652,678
Class C Roads	29,448	-	29,448
Grant receivables	14,062	-	14,062
	<u>954,038</u>	<u>16,963</u>	<u>971,001</u>
Less: Allowance for uncollectibles	<u>-</u>	<u>(4,531)</u>	<u>(4,531)</u>
Net total receivables	<u>\$ 954,038</u>	<u>\$ 12,432</u>	<u>\$ 966,470</u>
Statement of Net Position:			
Accounts Receivable (Net)	\$ 41,211	\$ 12,432	\$ 53,643
Due from Other Governments	912,827	-	912,827
	<u>\$ 954,038</u>	<u>\$ 12,432</u>	<u>\$ 966,470</u>

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4. INVESTMENT IN JOINT VENTURE

Midway City is a party to a joint venture with Heber City and Charleston. The joint venture, Heber Light & Power Company, was created by the three municipalities to provide electric services to their communities. The joint venture is governed by the Power Board elected from the mayors and city councils of the participating entities. The Power Board governs the operations of the utility through management employed by the Board. Since the joint venture is subject to the same laws as the creating entities, it must follow Utah State Law for local governments in the areas of fiscal management, budgeting, and financing. Since the government board is made up of mayors and city council appointees, each participating municipality has indirect control over these matters. The percentage share of each participant's entity is as follows:

Heber City	75.00%
Charleston	12.50%
Midway City	<u>12.50%</u>
	<u><u>100.00%</u></u>

	Joint Ventures	Midway City's Portion
Assets	\$ 35,961,735	\$ 4,495,217
Liabilities	<u>13,571,005</u>	<u>1,696,376</u>
Net Position	<u><u>\$ 22,390,730</u></u>	<u><u>\$ 2,798,841</u></u>
Operating Revenues	\$ 13,686,343	\$ 1,710,793
Cost of Sales	<u>6,966,666</u>	<u>870,833</u>
Gross Profit	6,719,677	839,960
Operating Expenses	<u>6,704,263</u>	<u>838,033</u>
Income from Operations	15,414	1,927
Nonoperating Income (Expense)	<u>(326,217)</u>	<u>(40,777)</u>
Net Income (Loss)	(310,803)	(38,850)
Add: Contributed Capital	975,879	121,985
Beginning Net Position	22,743,340	2,842,918
Prior Year Adjustment	(717,686)	(89,711)
Less: Distributions to Owners	<u>(300,000)</u>	<u>(37,500)</u>
Ending Net Position	<u><u>\$ 22,390,730</u></u>	<u><u>\$ 2,798,841</u></u>

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. CAPITAL ASSETS

A summary of changes in capital assets to the governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,443,772	\$ 185,060	\$ -	\$ 3,628,832
Total capital assets, not being depreciated	3,443,772	185,060	-	3,628,832
Capital assets, being depreciated				
Buildings	2,540,665	50,525	-	2,591,190
Improvements - nonbuilding	1,983,817	33,450	-	2,017,267
Infrastructure	8,061,902	367,262	-	8,429,164
Machinery & Equipment	1,124,242	8,342	-	1,132,584
Vehicles	104,100	54,574	-	158,674
Total capital assets, being depreciated	13,814,726	514,153	-	14,328,879
Accumulated Depreciation for:				
Buildings	(477,847)	(64,721)	-	(542,568)
Improvements - nonbuilding	(478,005)	(109,388)	-	(587,393)
Infrastructure	(4,105,571)	(281,157)	-	(4,386,728)
Machinery & Equipment	(927,542)	(55,475)	-	(983,017)
Vehicles	(104,100)	(2,344)	-	(106,444)
Total accumulated depreciation	(6,093,065)	(513,085)	-	(6,606,150)
Total capital assets, being depreciated, net	7,721,661	1,068	-	7,722,729
Governmental activities capital assets, net	\$ 11,165,433	\$ 186,128	\$ -	\$ 11,351,561

Depreciation Expense was charged to functions/departments of the primary government as follows:

Governmental Activities:

General Government	\$ 82,538
Highways and Public Works	356,041
Parks and Recreation	72,275
Cemetery	2,231
	2,231
Total Depreciation Expense	\$ 513,085

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets to the business-type activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated				
Water Stock	\$ 20,990,800	\$ 425,000	\$ -	\$ 21,415,800
Construction in Progress	-	61,150	-	61,150
Total capital assets, not being depreciated	<u>20,990,800</u>	<u>486,150</u>	<u>-</u>	<u>21,476,950</u>
Capital assets, being depreciated				
Buildings	25,053	-	-	25,053
Water Distribution System	8,641,693	1,205,244	-	9,846,937
Machinery & Equipment	221,984	257,179	-	479,163
Ice Rink	339,016	-	-	339,016
Total capital assets, being depreciated	<u>9,227,746</u>	<u>1,462,423</u>	<u>-</u>	<u>10,690,169</u>
Accumulated Depreciation for:				
Buildings	(5,142)	(643)	-	(5,785)
Water Distribution System	(1,844,311)	(206,880)	-	(2,051,191)
Machinery & Equipment	(169,094)	(21,735)	-	(190,829)
Ice Rink	(77,492)	(8,578)	-	(86,070)
Total accumulated depreciation	<u>(2,096,039)</u>	<u>(237,836)</u>	<u>-</u>	<u>(2,333,875)</u>
Total capital assets, being depreciated, net	<u>7,131,707</u>	<u>1,224,587</u>	<u>-</u>	<u>8,356,294</u>
Business-type activities capital assets, net	<u>\$ 28,122,507</u>	<u>\$ 1,710,737</u>	<u>\$ -</u>	<u>\$ 29,833,244</u>

Depreciation Expense was charged to the proprietary funds as follows:

Business-type Activities:

Water Fund	\$ 217,610
Ice Rink Fund	<u>20,226</u>
Total Depreciation Expense	<u>\$ 237,836</u>

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. INTERFUND TRANSFERS

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

<u>Transfers In:</u>	<u>Transfers Out</u>		
	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>
Capital Projects	\$ 1,149,853	\$ 38,614	\$ 1,188,467
MBA Fund	14,200	-	14,200
CDRA Fund	79,294	-	79,294
Ice Rink	291,564	-	291,564
Totals	<u>\$ 1,534,911</u>	<u>\$ 38,614</u>	<u>\$ 1,573,525</u>

NOTE 6. LONG TERM LIABILITIES

The Midway City Municipal Building Authority issued \$200,000 of Lease Revenue Bonds Series 2002 on May 31, 2002. The proceeds were for the purchase of additional cemetery property. The stated interest rate is 2.5% with principal repayment beginning on February 10, 2004 with annual payments to be made through 2023.

The interest expense for the Lease Revenue Bonds Series 2002 of \$3,050 has been charged as a direct expense to the Cemetery Department in the Statement of Activities.

The following is a schedule of bond maturities by year:

<u>Year Ended June 30,</u>	<u>Lease Revenue Bonds 2002</u>		
	<u>2.50%</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 10,000	\$ 2,550	\$ 12,550
2016	11,000	2,300	13,300
2017	11,000	2,025	13,025
2018	11,000	1,750	12,750
2019	11,000	1,475	12,475
2020	12,000	1,200	13,200
2021	12,000	900	12,900
2022	12,000	600	12,600
2023	12,000	300	12,300
Totals	<u>\$ 102,000</u>	<u>\$ 13,100</u>	<u>\$ 115,100</u>

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. LONG TERM LIABILITIES (CONTINUED)

Changes in Long-Term Liabilities - During the year, the following changes occurred in long-term liabilities for the governmental activities:

Governmental Activities:	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Lease Revenue Bonds	\$ 112,000	\$ -	\$ (10,000)	\$ 102,000	\$ 10,000
Total Debt	112,000	-	(10,000)	102,000	10,000
Compensated Absences	28,859	3,753	-	32,612	-
<i>Total Governmental Activities</i>	<u>\$ 140,859</u>	<u>\$ 3,753</u>	<u>\$ (10,000)</u>	<u>\$ 134,612</u>	<u>\$ 10,000</u>

NOTE 7. RETIREMENT SYSTEM

Plan Description - Midway City Corporation contributes to the Local Government Noncontributing Retirement System, which is for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments 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 (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information of the Local Governmental Contributory Retirement System and Local Government Noncontributory Retirement System. The Utah State Retirement Systems is on a calendar year which ends December 31. 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.

Noncontributory Retirement System

Funding Policy - Plan members in Local Government Noncontributory Retirement System members are required to contribute 0.0% of their annual covered salary (all or part may be paid by the employer for the employee) and Midway City Corporation is required to contribute 16.040 % of their annual covered salary from July 2012 through June 2014. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. Contributions made by the City were equal to the required contributions for each year and were paid by the due dates or within 30 days thereafter. The Utah State Retirement Board does not segregate the assets and vested benefits of the individual plans by unit within the system. Therefore, it is not possible to determine the portion of the assets and vested benefits or unfunded liabilities of the plans that are applicable to Midway City Corporation.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7. RETIREMENT SYSTEM (CONTINUED)

Contributory Retirement System

The City also sponsors a defined contribution retirement plan under Internal Revenue Code 401(K) which is administered by the Utah Retirement Systems. Participants are fully vested. The 401(K) plan is an elective deferral plan. The City did make contributions on behalf of the employees to this plan at a rate of 4.01%.

The following tables illustrate the retirement contributions and required contributory rates for each respective plan:

	Ended June 30	Employee contribution	Employee contribution paid by employer	Employer contribution	Salary subject to retirement contributions
Contributory System:					
Local Governmental Division Tier 1 & 2	2014	\$ 1,027	\$ 2,069	\$ 12,054	\$ 112,795
	2013	983	1,980	10,671	104,646
	2012	915	1,844	6,960	78,555
Noncontributory System:					
Local Governmental Division Tier 1	2014	\$ -	\$ -	\$ 87,600	\$ 475,974
	2013	-	-	75,697	451,182
	2012	-	-	57,861	420,192
Defined Contribution System:					
457 Plan	2014	\$ 7,879	\$ -		
	2013	7,463	-		
	2012	7,298	-		
401(k) Plan	2014	\$ 21,782	\$ 4,516		
	2013	20,904	3,329		
	2012	20,896	785		

	Employee contribution	Employee contribution paid by employer	Employer contribution
<u>Contributory System:</u>			
Local Governmental Division Tier 1	1.99%	4.01%	13.28%
Local Governmental Division Tier 2	N/A	N/A	13.99%
<u>Noncontributory System:</u>			
Local Governmental Division Tier 1	N/A	N/A	17.29%

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The City maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior year.

NOTE 9. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

For the year ended June 30, 2014 the City maintained expenditures within the appropriated amounts by department and by fund.

NOTE 10. COMMUNITY DEVELOPMENT AND RENEWAL AGENCY

The Midway City Community Development and Renewal Agency (CDRA) was established to further public purposes in the development and renewal of certain city areas. For the year ended June 30, 2014, the following activity occurred in the City's CDRA:

Tax increment collection from other taxing agencies	\$ 79,294
Tax increment paid to other taxing authorities	79,294
Outstanding loans to finance CDRA projects	-
Amounts expended for site improvements and preparation costs	-
Amounts expended for administrative costs	-

NOTE 11. NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) issued Statement Number 68 and will be effective for the City in the 06/30/15 fiscal year. The Statement requires a new methodology to be used in reporting the unfunded liabilities of defined benefit pension plans. Formerly, local governments only needed to report their contributions to Utah Retirement Systems as an expense.

With Statement 68 governments will also have to report their respective share of the unfunded pension liability on the Statement of Net Position – Government Wide and on the Statement of Net Position – Proprietary Funds. Additionally, the net change in this volatile liability will need to be reported as an expense/income each year. This change will not affect the fund financial statements for governmental funds.

As of December 31, 2013 the Utah Retirement Systems estimated the City's share of the unfunded liability to be \$323,135. This liability will also result in a prior year adjustment to the net position in the year of implementation. Additional reporting requirements are included with this liability in the notes to the financial statements and as required supplementary schedules.

**REQUIRED
SUPPLEMENTARY INFORMATION**

MIDWAY CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Current Year Property Taxes	\$ 644,200	\$ 717,151	\$ 709,195	\$ (7,956)
Fee in Lieu	40,000	40,000	41,477	1,477
Redemptions	15,000	32,400	36,192	3,792
Sales and Use Taxes	494,700	609,500	556,365	(53,135)
Telecommunication and Franchise Fees	318,000	344,400	370,077	25,677
Transient Room Tax	53,000	60,000	66,352	6,352
Resort Tax	346,800	366,000	407,477	41,477
Highway Tax	95,880	103,100	115,614	12,514
	<u>2,007,580</u>	<u>2,272,551</u>	<u>2,302,749</u>	<u>30,198</u>
Licenses and Permits:				
Business Licenses	19,000	26,700	26,888	188
Building Permits	250,000	292,000	281,981	(10,019)
Plan Check Fees	140,000	175,000	178,739	3,739
Other Licenses	2,075	4,050	4,384	334
	<u>411,075</u>	<u>497,750</u>	<u>491,992</u>	<u>(5,758)</u>
Intergovernmental:				
Class "C" Road Fund Allotment	160,000	164,000	158,727	(5,273)
Backnet Grants	65,000	65,000	59,825	(5,175)
Other Intergovernmental	22,700	18,800	305	(18,495)
	<u>247,700</u>	<u>247,800</u>	<u>218,857</u>	<u>(28,943)</u>
Charges for Services:				
Sanitation District	20,200	38,000	40,444	2,444
Zoning and Related Development Fees	28,300	45,600	48,491	2,891
Burial and Assessments	12,000	20,700	20,780	80
	<u>60,500</u>	<u>104,300</u>	<u>109,715</u>	<u>5,415</u>
Other Revenues:				
Interest Earnings	9,600	8,500	8,664	164
Rents	7,800	37,800	38,517	717
Bond Forfeiture	-	-	54,000	54,000
Miscellaneous Revenue	13,280	20,000	16,691	(3,309)
	<u>30,680</u>	<u>66,300</u>	<u>117,872</u>	<u>51,572</u>
Total Revenues	<u>\$ 2,757,535</u>	<u>\$ 3,188,701</u>	<u>\$ 3,241,185</u>	<u>\$ 52,484</u>

(continued)

MIDWAY CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures:				
General Government:				
Mayor and Council	\$ 63,550	\$ 64,150	\$ 64,007	\$ 143
Administrative	293,405	297,905	278,244	19,661
Professional Services	179,053	176,700	197,939	(21,239)
Nondepartmental	370,750	63,950	56,418	7,532
Buildings	113,510	170,500	168,722	1,778
Planning and Zoning	186,934	186,934	155,822	31,112
Building Safety	150,180	185,180	172,161	13,019
	<u>1,357,382</u>	<u>1,145,319</u>	<u>1,093,313</u>	<u>52,006</u>
Public Safety	218,491	222,987	218,407	4,580
Economic Development	25,000	25,000	25,000	-
Highways and Public Works	267,510	372,955	328,102	44,853
Parks and Recreation	97,990	190,116	167,832	22,284
Cemetery	53,241	91,586	77,501	14,085
Tourism and Culture	25,340	27,590	24,189	3,401
Total Expenditures	<u>2,044,954</u>	<u>2,075,553</u>	<u>1,934,344</u>	<u>141,209</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	(703,581)	(1,617,401)	(1,534,911)	(82,490)
Appropriations of Fund Balances	(9,000)	504,253	-	504,253
Total other financing sources (uses)	<u>(712,581)</u>	<u>(1,113,148)</u>	<u>(1,534,911)</u>	<u>421,763</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(228,070)</u>	<u>(228,070)</u>
Fund Balances at Beginning of Year	<u>805,257</u>	<u>805,257</u>	<u>805,257</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 805,257</u>	<u>\$ 805,257</u>	<u>\$ 577,187</u>	<u>\$ (228,070)</u>

SUPPLEMENTARY INFORMATION

**MIDWAY CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2014**

	<u>MBA</u>	<u>CDRA</u>	<u>Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash	\$ 11,233	\$ 37,248	\$ -	\$ 48,481
Restricted Cash	-	-	318,669	318,669
Total Assets	\$ 11,233	\$ 37,248	\$ 318,669	\$ 367,150
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts Payable	\$ -	\$ 25,184	\$ -	\$ 25,184
Total Liabilities	-	25,184	-	25,184
Fund Balances				
Restricted for:				
Perpetual Care	-	-	318,668	318,668
Assigned:				
MBA Fund	11,233	-	-	11,233
CDRA Fund	-	12,065	-	12,065
Total Fund Balances	11,233	12,065	318,668	341,966
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,233	\$ 37,249	\$ 318,668	\$ 367,150

**MIDWAY CITY
COMBINING STATEMENT OF REVENUES,
EXPENDITURE, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>MBA</u>	<u>CDRA</u>	<u>Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Perpetual Care Fees	\$ -	\$ -	\$ 12,525	\$ 12,525
Interest	-	-	1,273	1,273
Total Revenues	-	-	13,798	13,798
EXPENDITURES				
Current Operating:				
General Government	-	-	-	-
Economic Development	-	79,294	-	79,294
Debt Service:				
Principal	10,000	-	-	10,000
Interest	2,800	-	-	2,800
Other	1,400	-	-	1,400
Total Expenditures	14,200	79,294	-	93,494
Excess of Revenues Over (Under) Expenditures	(14,200)	(79,294)	13,798	(79,696)
OTHER FINANCING SOURCES (USES)				
Transfers-In	14,200	79,294	-	93,494
Transfers-Out	-	-	-	-
Total other financing sources (uses)	14,200	79,294	-	93,494
Excess (Deficiency) of Revenues over Expenditures	-	-	13,798	13,798
Fund Balances at Beginning of Year	11,233	12,065	304,870	328,168
Fund Balances at End of Year	\$ 11,233	\$ 12,065	\$ 318,668	\$ 341,966

AUDITORS' REPORTS



GILBERT & STEWART

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INDEPENDENT AUDITOR'S 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*

Honorable Mayor and City Council
Midway City
Midway, UT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Midway City, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Midway City's basic financial statements, and have issued our report thereon dated December 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Midway City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Midway City's internal control. Accordingly, we do not express an opinion on the effectiveness of Midway City'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midway City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants
December 10, 2014



**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE
STATE COMPLIANCE AUDIT GUIDE ON COMPLIANCE WITH GENERAL STATE
COMPLIANCE REQUIREMENTS AND ON INTERNAL CONTROLS OVER COMPLIANCE**

Honorable Mayor and City Council
Midway City
Midway, UT

REPORT ON COMPLIANCE

We have audited Midway City's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on Midway City for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement System Compliance
- Transfers from Utility Enterprise Funds
- Conflicts of Interest
- Nepotism
- Budget Notices and Format

The City did not receive any major assistance programs from the State of Utah during the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on Midway City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City or its major state programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements

In our opinion, Midway City complied, in all material respects, with the general compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in our letter to management dated December 10, 2014 as item 2014-1.

Midway City's response to the noncompliance findings identified in our audit is described in our letter to management as 2014-1. Midway City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT OF INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement will not be prevented or detected and corrected on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We noted a matter involving internal control over compliance which we are submitting for your consideration. This matter is described in our letter to management as item 2014-1.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants
December 10, 2014

MIDWAY CITY CORPORATION

**COMMUNICATION WITH THOSE
CHARGED WITH GOVERNANCE**

JUNE 30, 2014



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JAMES E. STEWART, CPA

Honorable City Council
Midway City Corporation
Midway, UT

December 10, 2014

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midway City Corporation for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 20, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Midway City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting Midway City Corporation's financial statements was:

Management's estimate of the capital assets' useful life is based on the historical life of similar assets. We evaluated the key factors and assumptions used to develop the capital assets' useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Utah State Legal Compliance Findings-Current Year

2014-1 General Compliance-Enterprise Fund Transfers

Finding: The City must include any interfund transfers in an original or in a subsequent budget amendment approved by the governing body for the fiscal year. During the course of the audit we noted that the City transferred more than was approved in the budget:

Transfer from Water Fund to Capital Projects Fund exceeded Budget by \$1,114

Recommendation: We recommend that the City transfer within the approved budget and follow state guidelines on all future Enterprise Fund Transfers.

City's Response: We concur with the finding. The transfer is due to dividends received during the year from Heber Power & Light. We will budget more appropriately and follow state guidelines.

Utah State Legal Compliance Findings-Prior Year

No findings

This information is intended solely for the use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties. If you have any questions concerning the above items, we will be happy to discuss them with you.

Sincerely,

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants