



**Financial Statements and
Supplementary Data with
Independent Auditor's Report
for the Year Ended
June 30, 2015**

TABLE OF CONTENTS

Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-7

Basic Financial Statements:

Government Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Governmental Funds Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Proprietary Fund Statements:	
Statement of Net Position – Proprietary Funds.....	14
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	15
Statement of Cash Flows – Proprietary Funds.....	16
Notes to the Financial Statements.....	17-40

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes to Fund Balances Budget and Actual – General Fund.....	41-42
Schedule of the Proportionate Share of the Net Pension Liability	43
Schedule of Contributions	44
Notes to the Required Supplementary Information	45

Supplementary Information:

Combining Balance Sheet – Nonmajor funds.....	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor funds	47

Auditor’s Reports:

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 <i>Government Auditing Standards</i>	48-49
Independent Auditor’s Report on Compliance and on Internal Controls Over Compliance in Accordance with the <i>State of Utah Legal Compliance Audit Guide</i>	50-51



GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

RANDEL A HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable City Council
Midway City Corporation
Midway, Utah

January 11, 2016

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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, in 2015 the City adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the required supplementary information regarding pensions 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 January 11, 2016 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

GILBERT & STEWART, CPA, PC
Certified Public Accountants

**MIDWAY CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

This document is a narrative overview and analysis of the financial activities of Midway City for the fiscal year ending June 30, 2015. 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, 2015**

Government-wide Financial Statements

A condensed version of the Statement of Net Position at June 30, 2015 and 2014 follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Cash and investments	\$ 6,857,328	\$ 6,249,204	\$ 3,354,723	\$ 2,439,158	\$10,212,051	\$ 8,688,362
Other assets	1,057,066	954,038	2,887,233	2,831,273	3,944,299	3,785,311
Capital assets	11,374,823	11,351,561	30,637,165	29,833,244	42,011,988	41,184,805
Total assets	19,289,217	18,554,803	36,879,121	35,103,675	56,168,338	53,658,478
Deferred outflows of resources	62,243	-	8,965	-	71,208	-
Total assets and deferred outflows	19,351,460	18,554,803	36,888,086	35,103,675	56,239,546	53,658,478
LIABILITIES						
Current liabilities	850,602	606,756	319,257	133,569	1,169,859	740,325
Noncurrent liabilities	372,435	134,613	36,292	-	408,727	134,613
Total liabilities	1,223,037	741,369	355,549	133,569	1,578,586	874,938
Deferred inflows of resources	703,203	652,678	4,998	-	708,201	652,678
Total liabilities & deferred inflows	1,926,240	1,394,047	360,547	133,569	2,286,787	1,527,616
NET POSITION						
Net investment in capital assets	11,374,823	11,351,561	30,637,165	29,833,244	42,011,988	41,184,805
Restricted	1,647,794	1,468,801	469,074	203,015	2,116,868	1,671,816
Unrestricted	4,402,603	4,340,394	5,421,300	4,933,847	9,823,903	9,274,241
Total net position	\$17,425,220	\$17,160,756	\$36,527,539	\$34,970,106	\$53,952,759	\$52,130,862

During the year ended June 30, 2015 there were some significant events that changed the components of net position. An explanation of these events follows:

Governmental Activities:

- Cash has increased by \$608,124 compared to 2014. Most of this increase is in unrestricted funds.
- The City invested \$561,304 in new capital outlays, while depreciation expense was close to that amount at \$538,042.
- With GASB 68, the City's financial statements now report the associated deferred outflows of resources of \$62,243, deferred inflows of resources of \$34,702, and the net pension liability of \$252,060.

**MIDWAY CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Business-Type Activities:

- The business –type activities saw an increase in cash of \$915,565.
- Capital was also contributed to the Water Fund from developers in the form of infrastructure and water stock. The total amount contributed came to \$528,056. A condensed version of the Statement of Activities follows:

A condensed version of the Statement of Activities at June 30, 2015 and 2014 follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$ 790,581	\$ 714,223	\$ 1,408,277	\$ 1,218,496	\$ 2,198,858	\$ 1,932,719
Operating grants	257,361	218,857	-	-	257,361	218,857
Capital grants	362,282	332,588	722,022	648,570	1,084,304	981,158
General revenues:						
Taxes	2,363,972	2,302,749	-	-	2,363,972	2,302,749
Interest	31,361	29,945	89,578	50,258	120,939	80,203
Miscellaneous	53,389	-	-	-	53,389	-
Transfers	(78,290)	(236,259)	78,290	252,950	-	16,691
Total revenues	<u>3,780,656</u>	<u>3,362,103</u>	<u>2,298,167</u>	<u>2,170,274</u>	<u>6,078,823</u>	<u>5,532,377</u>
Expenses:						
General government	1,396,103	1,173,031	-	-	1,396,103	1,173,031
Public safety	242,969	228,394	-	-	242,969	228,394
Economic development	114,173	104,294	-	-	114,173	104,294
Highway and public works	1,035,167	708,902	-	-	1,035,167	708,902
Parks and recreation	350,093	311,481	-	-	350,093	311,481
Cemetery	111,013	87,672	-	-	111,013	87,672
Water	-	-	640,657	663,074	640,657	663,074
Ice Rink	-	-	61,668	45,068	61,668	45,068
Total expenses	<u>3,249,518</u>	<u>2,613,774</u>	<u>702,325</u>	<u>708,142</u>	<u>3,951,843</u>	<u>3,321,916</u>
Change in net position	<u>531,138</u>	<u>748,329</u>	<u>1,595,842</u>	<u>1,462,132</u>	<u>2,126,980</u>	<u>2,210,461</u>
Beginning net position	17,160,756	16,412,427	34,970,106	33,507,974	52,130,862	49,920,401
Prior year adjustment	(266,674)	-	(38,409)	-	(305,083)	-
Ending net position	<u>\$ 17,425,220</u>	<u>\$ 17,160,756</u>	<u>\$ 36,527,539</u>	<u>\$ 34,970,106</u>	<u>\$ 53,952,759</u>	<u>\$ 52,130,862</u>

**MIDWAY CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Governmental activities:

For the year ended June 30, 2015, the total revenues for the governmental activities were \$3,780,656. Program revenues totaled \$1,410,224. The major sources of program revenues are building permits, impact fees, and capital grants. Charges for services increased by \$266,139 compared to the prior year. General revenues for the year totaled \$2,370,432, which is netted with the transfer to business-type activities in the amount of \$78,290. The major sources of general revenues are taxes and interest earnings. Taxes comprise 68% of the City's general fund revenues.

Business-type activities:

For the year ended June 30, 2015, the total revenues for the business-type activities were \$2,298,167. Program revenues total \$2,130,299. The majority of the revenue is from charges for services of the enterprise funds. The general revenues in the business-type activities consist of \$89,578 in interest and joint venture income and a transfer in from governmental activities of \$78,290. The water fund had operating income of \$753,257 while the ice rink fund had an operating loss of \$47,305. The Water Fund received \$528,056 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 \$134,774 less than was budgeted. In total, the actual revenues in the general fund were \$112,351 above the budgeted amounts.

Capital Assets

At June 30, 2015 the City had \$42,011,988 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 \$827,183 or 2.0% over last year.

	Capital Assets at Year-end					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 3,628,832	\$ 3,628,832	\$ -	\$ -	\$ 3,628,832	\$ 3,628,832
Construction in Progress	-	-	522,052	61,150	522,052	61,150
Water Stock	-	-	21,853,300	21,415,800	21,853,300	21,415,800
Buildings	2,728,882	2,591,190	25,053	25,053	2,753,935	2,616,243
Improvements	2,101,694	2,017,267	-	-	2,101,694	2,017,267
Infrastructure	8,692,209	8,429,164	10,018,213	9,846,937	18,710,422	18,276,101
Machinery & Equipment	1,144,374	1,132,584	479,163	479,163	1,623,537	1,611,747
Vehicles	199,920	158,674	-	-	199,920	158,674
Ice Rink	-	-	339,015	339,016	339,015	339,016
Subtotal	18,495,911	17,957,711	33,236,796	32,167,119	51,732,707	50,124,830
Accum Depreciation	(7,121,088)	(6,606,150)	(2,599,631)	(2,333,875)	(9,720,719)	(8,940,025)
Capital Assets, Net	<u>\$ 11,374,823</u>	<u>\$ 11,351,561</u>	<u>\$ 30,637,165</u>	<u>\$ 29,833,244</u>	<u>\$ 42,011,988</u>	<u>\$ 41,184,805</u>

**MIDWAY CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Capital Assets (Continued)

The most significant additions to capital assets in the governmental activities were \$123,213 in a cemetery building and improvements, \$263,045 in road improvements, and \$64,349 in new vehicles.

The most significant additions to capital assets in the business-type activities were \$477,864 in construction improvements on the lower pine canyon water line, \$44,188 on the Alpenhoff Well, and the contribution of water stock in the amount of \$437,500.

Debt Outstanding

At year-end, the City had \$91,000 in long term liabilities outstanding versus \$102,000 last year, a decrease of \$11,000.

There was a total of \$11,000 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, 2015

Assets	Governmental Activities	Business-type Activities	Total
Cash	\$ 5,209,534	\$ 2,885,649	\$ 8,095,183
Restricted Cash	1,647,794	469,074	2,116,868
Accounts Receivable (Net)	36,013	30,249	66,262
Due From Other Governments	1,020,421	-	1,020,421
Inventory	-	20,000	20,000
Investment in Joint Venture	-	2,836,893	2,836,893
Net Pension Asset	632	91	723
Capital Assets:			
Land	3,628,832	-	3,628,832
Construction in Progress	-	522,052	522,052
Water Stock	-	21,853,300	21,853,300
Buildings	2,728,882	25,053	2,753,935
Improvements	2,101,694	-	2,101,694
Infrastructure	8,692,209	10,018,213	18,710,422
Machinery and Equipment	1,344,294	479,163	1,823,457
Ice Rink	-	339,015	339,015
Less Accumulated Depreciation	(7,121,088)	(2,599,631)	(9,720,719)
Total Capital Assets, Net	<u>11,374,823</u>	<u>30,637,165</u>	<u>42,011,988</u>
Total Assets	<u>19,289,217</u>	<u>36,879,121</u>	<u>56,168,338</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources - Pensions	62,243	8,965	71,208
Total Assets and Deferred Outflows of Resources	<u>19,351,460</u>	<u>36,888,086</u>	<u>56,239,546</u>
Liabilities and Deferred Inflows of Resources			
Accounts Payable	317,415	319,244	636,659
Accrued Liabilities	52,094	-	52,094
Deposits and Bonds	470,093	-	470,093
Noncurrent Liabilities:			
Due in Less Than One Year	11,000	-	11,000
Due in More Than One Year	372,435	36,305	408,740
Total Liabilities	<u>1,223,037</u>	<u>355,549</u>	<u>1,578,586</u>
Deferred Inflows of Resources			
Unavailable Revenues - Property Taxes	668,501	-	668,501
Deferred Inflows of Resources - Pensions	34,702	4,998	39,700
Total Liabilities and Deferred Inflows of Resources	<u>1,926,240</u>	<u>360,547</u>	<u>2,286,787</u>
NET POSITION			
Net Investment in Capital Assets	11,374,823	30,637,165	42,011,988
Restricted For:			
Class "C" Roads	243,018	-	243,018
Highway Tax	-	-	-
Impact Fees	1,075,283	469,074	1,544,357
Perpetual Care	329,493	-	329,493
Unrestricted	4,402,603	5,421,300	9,823,903
Total Net Position	<u>\$ 17,425,220</u>	<u>\$ 36,527,539</u>	<u>\$ 53,952,759</u>

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

MIDWAY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Program Revenues			Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 1,396,103	\$ 504,687	\$ 23,399	\$ -	\$ (868,017)	\$ -	\$ (868,017)
Public Safety	242,969	3,746	66,599	-	(172,624)	-	(172,624)
Economic Development	114,173	170,408	-	-	56,235	-	56,235
Highways and Public Works	1,035,167	54,975	167,363	219,598	(593,231)	-	(593,231)
Parks and Recreation	350,093	20,415	-	142,684	(186,994)	-	(186,994)
Cemetery	111,013	36,350	-	-	(74,663)	-	(74,663)
Total Governmental Activities	3,249,518	790,581	257,361	362,282	(1,839,294)	-	(1,839,294)
Business-type Activities							
Water	640,657	1,393,914	-	722,022	-	1,475,279	1,475,279
Ice Rink	61,668	14,363	-	-	-	(47,305)	(47,305)
Total Business-type Activities	702,325	1,408,277	-	722,022	-	1,427,974	1,427,974
Total Government	\$ 3,951,843	\$ 2,198,858	\$ 257,361	1,084,304	(1,839,294)	1,427,974	(411,320)
General Revenues:							
Taxes							
Property					759,018	-	759,018
Sales and Use					607,084	-	607,084
Telecommunication and Franchise					348,162	-	348,162
Room Tax					77,041	-	77,041
Resort Tax					445,069	-	445,069
Highway Tax					127,598	-	127,598
Interest and Investment Earnings					31,361	89,578	120,939
Miscellaneous					53,389	-	53,389
Transfers					(78,290)	78,290	-
Total General Revenues and Transfers					2,370,432	167,868	2,538,300
Change in Net Position					531,138	1,595,842	2,126,980
Net Position at Beginning of Year - as Restated					16,894,082	34,931,697	51,825,779
Net Position at End of Year					\$ 17,425,220	\$ 36,527,539	\$ 53,952,759

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

MIDWAY CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2015

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,081,880	\$ 4,079,517	\$ 48,137	\$ 5,209,534
Restricted Cash	-	1,318,301	329,493	1,647,794
Accounts Receivable	36,013	-	-	36,013
Due From Other Governments	1,020,421	-	-	1,020,421
TOTAL ASSETS	<u>\$ 2,138,314</u>	<u>\$ 5,397,818</u>	<u>\$ 377,630</u>	<u>\$ 7,913,762</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 82,827	\$ 218,996	\$ 15,592	\$ 317,415
Accrued Liabilities	52,094	-	-	52,094
Deposits and Bonds	470,093	-	-	470,093
TOTAL LIABILITIES	<u>605,014</u>	<u>218,996</u>	<u>15,592</u>	<u>839,602</u>
DEFERRED INFLOWS OF RESOURCES	<u>668,501</u>	<u>-</u>	<u>-</u>	<u>668,501</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,273,515</u>	<u>218,996</u>	<u>15,592</u>	<u>1,508,103</u>
FUND BALANCES				
Restricted for:				
Class C Roads	-	243,018	-	243,018
Highway Tax	-	-	-	-
Park Impact Fees	-	112,352	-	112,352
Trails Impact Fees	-	211,561	-	211,561
Transportation Impact Fees	-	751,370	-	751,370
Perpetual Care	-	-	329,493	329,493
Committed:				
Park Construction	-	48,697	-	48,697
Assigned:				
Capital Projects	-	3,811,824	-	3,811,824
CDRA Fund	-	-	11,233	11,233
MBA Fund	-	-	21,312	21,312
Unassigned	864,799	-	-	864,799
TOTAL FUND BALANCES	<u>864,799</u>	<u>5,178,822</u>	<u>362,038</u>	<u>6,405,659</u>
TOTAL LIABILITIES, DEFERRED OUTFLOWS AND FUND BALANCES	<u>\$ 2,138,314</u>	<u>\$ 5,397,818</u>	<u>\$ 377,630</u>	<u>\$ 7,913,762</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, 2015

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

Total fund balances--total governmental funds	\$ 6,405,659
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund financial statements.	11,374,823
Net pension assets used in governmental activities are not financial resources and , therefore, are not reported in the funds.	632
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the fund statements.	62,243
Deferred inflows of resources, a use of net position that applies to future periods, is not shown in the fund statements.	(34,702)
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:	
Net Pension Liability	(252,060)
MBA Lease Revenue Bonds	(92,000)
Compensated Absences	<u>(39,375)</u>
Net position of governmental activities	<u>\$ 17,425,220</u>

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, 2015

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,363,972	\$ -	\$ -	\$ 2,363,972
Licenses and Permits	508,433	-	-	508,433
Intergovernmental	257,361	-	-	257,361
Charges for services	243,283	-	9,450	252,733
Other Revenues	86,542	26,248	1,375	114,165
Impact Fees	-	362,282	-	362,282
Total Revenues	3,459,591	388,530	10,825	3,858,946
EXPENDITURES				
Current Operating:				
General Government	1,226,042	110,996	-	1,337,038
Public Safety	244,217	-	-	244,217
Economic Development	25,000	-	89,173	114,173
Highways and Public Works	283,431	392,276	-	675,707
Parks and Recreation	194,565	41,462	-	236,027
Cemetery	106,976	-	-	106,976
Tourism and Culture	29,413	-	-	29,413
Debt Service:				
Principal	-	-	10,000	10,000
Interest	-	-	2,550	2,550
Other	-	-	1,400	1,400
Capital Outlay				
General Government	-	14,569	-	14,569
Highways and Public Works	76,139	263,045	-	339,184
Parks and Recreation	-	84,428	-	84,428
Cemetery	-	123,123	-	123,123
Total Expenditures	2,185,783	1,029,899	103,123	3,318,805
Excess of Revenues Over (Under) Expenditures	1,273,808	(641,369)	(92,298)	540,141
OTHER FINANCING SOURCES (USES)				
Transfers-In	-	793,023	112,370	905,393
Transfers-Out	(983,683)	-	-	(983,683)
Total Other Financing Sources (Uses)	(983,683)	793,023	112,370	(78,290)
Net Change in Fund Balances	290,125	151,654	20,072	461,851
Fund Balances at Beginning of Year	574,674	5,027,168	341,966	5,943,808
Fund Balances at End of Year	\$ 864,799	\$ 5,178,822	\$ 362,038	\$ 6,405,659

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, 2015

Net change in fund balance, total governmental funds \$ 461,851

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	561,304	
Depreciation Expense	<u>(538,041)</u>	23,263

The Statement of Activities includes the net pension benefit (expense) from the adoption of GASB 68, which is not included in the fund financial statements. 42,787

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>(6,763)</u>	<u>3,237</u>

Change in net position of governmental activities \$ 531,138

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

MIDWAY CITY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
PROPRIETARY FUNDS
JUNE 30, 2015

	Water	Ice Rink	Total
ASSETS			
Current Assets:			
Cash	\$ 2,801,601	\$ 84,048	\$ 2,885,649
Accounts Receivable (Net)	30,249	-	30,249
Inventory	20,000	-	20,000
Total Current Assets	2,851,850	84,048	2,935,898
Noncurrent Assets:			
Restricted Cash	469,074	-	469,074
Investment in Joint Venture	2,836,893	-	2,836,893
Net Pension Asset	82	9	91
Capital Assets:			
Water Stock	21,853,300	-	21,853,300
Construction in Progress	522,052	-	522,052
Water Distribution System	10,018,213	-	10,018,213
Buildings	-	25,053	25,053
Machinery and Equipment	157,504	321,659	479,163
Ice Sheet	-	339,015	339,015
Less Accumulated Depreciation	(2,430,866)	(168,765)	(2,599,631)
Total Capital Assets, Net	30,120,203	516,962	30,637,165
Total Noncurrent Assets	33,426,252	516,971	33,943,223
Total Assets	36,278,102	601,019	36,879,121
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Relating To Pensions	8,118	847	8,965
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 36,286,220	\$ 601,866	\$ 36,888,086
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 319,257	\$ (13)	\$ 319,244
Total Current Liabilities	319,257	(13)	319,244
Noncurrent Liabilities:			
Net Pension Liability	32,874	3,431	36,305
Total Noncurrent Liabilities	32,874	3,431	36,305
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Relating To Pensions	4,526	472	4,998
TOTAL LIABILITIES AND DEFERRED INFLOWS	356,657	3,890	360,547
NET POSITION			
Net Investment in Capital Assets	30,120,203	516,962	30,637,165
Restricted for Impact Fees	469,074	-	469,074
Unrestricted	5,340,286	81,014	5,421,300
Total Net Position	35,929,563	597,976	36,527,539
Total Liabilities, Deferred Inflows and Net Position	\$ 36,286,220	\$ 601,866	\$ 36,888,086

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, 2015

	Water	Ice Rink	Total
Operating Revenues:			
Charges for Services	\$ 1,310,837	\$ 14,363	\$ 1,325,200
Connection Fees	83,077	-	83,077
Total Operating Revenues	1,393,914	14,363	1,408,277
Operating Expenses:			
Salaries and Benefits	130,178	13,654	143,832
Maintenance and Supplies	114,788	3,352	118,140
Professional and Technical	11,744	-	11,744
Utilities	32,470	2,075	34,545
Depreciation	240,171	25,587	265,758
Contracted Services	67,390	17,000	84,390
Other	43,916	-	43,916
Total Operating Expenses	640,657	61,668	702,325
Operating Income (Loss)	753,257	(47,305)	705,952
Nonoperating Revenues (Expenses)			
Interest Revenue	14,026	-	14,026
Joint Venture Income (Loss)	75,552	-	75,552
Impact Fees	193,966	-	193,966
Total Nonoperating Revenues (Expenses)	283,544	-	283,544
Net Income (Loss) Before Contributions	1,036,801	(47,305)	989,496
Capital Contributions	528,056	-	528,056
Transfers In (Out)	-	78,290	78,290
Change in Net Position	1,564,857	30,985	1,595,842
Total Net Position - Beginning - as Restated	34,364,706	566,991	34,931,697
Total Net Position - Ending	\$ 35,929,563	\$ 597,976	\$ 36,527,539

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, 2015

	<u>Water</u>	<u>Ice Rink</u>	<u>Total</u>
Cash Flows from Operating Activities			
Cash Received From Customers	\$ 1,376,098	\$ 14,363	\$ 1,390,461
Cash Paid to Suppliers	(264,075)	(22,622)	(286,697)
Cash Paid to Employees	(135,757)	(14,237)	(149,994)
Net Cash Provided (Used) by Operating Activities	<u>976,266</u>	<u>(22,496)</u>	<u>953,770</u>
Cash Flows from Noncapital Financing Activities			
Transfers In/Out	-	78,290	78,290
Net Cash Used in Noncapital Financing Activities	<u>-</u>	<u>78,290</u>	<u>78,290</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Capital Assets	(361,987)		(361,987)
Impact Fees Collected	193,966	-	193,966
Net Cash in Capital and Related Financing Activities	<u>(168,021)</u>	<u>-</u>	<u>(168,021)</u>
Cash Flows from Investing Activities			
Interest on Investments	14,026	-	14,026
Dividends from Joint Venture	37,500	-	37,500
Net Cash Provided by Investing Activities	<u>51,526</u>	<u>-</u>	<u>51,526</u>
Net Increase (Decrease) in Cash	859,771	55,794	915,565
Cash - July 1	<u>2,410,904</u>	<u>28,254</u>	<u>2,439,158</u>
Cash - June 30	<u>\$ 3,270,675</u>	<u>\$ 84,048</u>	<u>\$ 3,354,723</u>
Noncash Investing and Financing:			
Contributions from Developers	<u>528,056</u>	<u>-</u>	<u>528,056</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 753,257	\$ (47,305)	\$ 705,952
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	240,171	25,587	\$ 265,758
Changes in Assets, Liabilities, Deferred Outflows/Inflows:			
Accounts Receivable	(17,816)	-	(17,816)
Net Pension Asset			-
Deferred Outflows of Resources			-
Accounts Payable	185,868	(195)	185,673
Accounts Payable - Related to Capital	(179,635)	-	(179,635)
Deferred Inflows of Resources			-
Net Pension Liability	<u>(5,579)</u>	<u>(583)</u>	<u>(6,162)</u>
Net Cash Provided by Operating Activities	<u>\$ 976,266</u>	<u>\$ (22,496)</u>	<u>\$ 953,770</u>

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

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

Pensions

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

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 and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred contributions and differences between projected and actual earnings on its pension plan assets.

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 two types of items reported under this category. First, 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. The second type is related to the City's pension plan. The City participates in the Utah Retirement Systems and has deferred inflows of resources associated with differences between expected and actual experience and changes in assumptions.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

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.

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.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Statements

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.

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.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Budget Information (continued)

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.
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.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, \$150,133 of the City's bank balances of \$350,133 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.

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.

**MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2015, the City had the following investments and maturities:

	Carrying Amount	Market Value
Investments not subject to categorizations:		
Utah Public Treasurer's Investment Fund	\$ 10,100,120	\$ 10,150,221

The GASB Fair Value factor at June 30, 2015 was 1.00496043

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.

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.

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Components of cash and investments (including interest earning deposits) at June 30, 2015, are as follows:

Cash on hand and on deposit:	
Cash on deposit	\$ 111,631
Petty cash	300
PTIF investment	<u>10,100,120</u>
Total cash and investments	<u>\$10,212,051</u>

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

Cash	\$ 8,095,183
Restricted Cash	<u>2,116,868</u>
Total cash and investments	<u>\$10,212,051</u>

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

Accounts receivable for the City, including the applicable allowance for uncollectible accounts at June 30, 2015, are as follows:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>
Receivables:			
Individual accounts	\$ 36,041	\$ 34,780	\$ 70,821
Sales tax	110,458	-	110,458
Highway tax	23,944	-	23,944
Resort tax	84,793	-	84,793
Room tax	18,239	-	18,239
Telecommunication tax	3,799	-	3,799
Energy sales tax	380	-	380
Franchise tax	34,774	-	34,774
Property taxes - current	16,508	-	16,508
Property taxes - unavailable	668,501	-	668,501
Class C Roads	32,055	-	32,055
Grant receivables	26,942	-	26,942
	<u>1,056,434</u>	<u>34,780</u>	<u>1,091,214</u>
Less: Allowance for uncollectibles	<u>-</u>	<u>(4,531)</u>	<u>(4,531)</u>
Net total receivables	<u>\$ 1,056,434</u>	<u>\$ 30,249</u>	<u>\$ 1,086,683</u>
Statement of Net Position:			
Accounts Receivable (Net)	\$ 36,013	\$ 30,249	\$ 66,262
Due from Other Governments	1,020,421	-	1,020,421
	<u>\$ 1,056,434</u>	<u>\$ 30,249</u>	<u>\$ 1,086,683</u>

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. 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	\$ 37,984,223	\$ 4,748,028
Liabilities	<u>15,139,076</u>	<u>1,892,385</u>
Net Position	<u><u>\$ 22,845,147</u></u>	<u><u>\$ 2,855,643</u></u>
Operating Revenues	\$ 15,578,146	\$ 1,947,268
Cost of Sales	<u>8,817,110</u>	<u>1,102,139</u>
Gross Profit	6,761,036	845,130
Operating Expenses	<u>7,200,078</u>	<u>900,010</u>
Income from Operations	(439,042)	(54,880)
Nonoperating Income (Expense)	<u>(466,466)</u>	<u>(58,308)</u>
Net Income (Loss)	(905,508)	(113,189)
Add: Impact Fees	571,682	71,460
Add: Contributed Capital	<u>1,088,243</u>	<u>136,030</u>
Change in Net Position	754,417	94,302
Beginning Net Position	22,390,730	2,798,841
Less: Distributions to Owners	<u>(300,000)</u>	<u>(37,500)</u>
Ending Net Position	<u><u>\$ 22,845,147</u></u>	<u><u>\$ 2,855,643</u></u>
Reconciliation to Statement of Net Position		
Balance at December 31, 2014		\$ 2,855,643
Less: Withdrawals between December 31st and June 30th		<u>(18,750)</u>
Balance at June 30, 2015		<u><u>\$ 2,836,893</u></u>

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,628,832	\$ -	\$ -	\$ 3,628,832
Total capital assets, not being depreciated	<u>3,628,832</u>	<u>-</u>	<u>-</u>	<u>3,628,832</u>
Capital assets, being depreciated				
Buildings	2,591,190	137,692	-	2,728,882
Improvements - nonbuilding	2,017,267	84,427	-	2,101,694
Infrastructure	8,429,164	263,045	-	8,692,209
Machinery & Equipment	1,132,584	11,790	-	1,144,374
Vehicles	158,674	64,350	(23,104)	199,920
Total capital assets, being depreciated	<u>14,328,879</u>	<u>561,304</u>	<u>(23,104)</u>	<u>14,867,079</u>
Accumulated Depreciation for:				
Buildings	(542,568)	(66,778)	-	(609,346)
Improvements - nonbuilding	(587,393)	(111,291)	-	(698,684)
Infrastructure	(4,386,728)	(290,422)	-	(4,677,150)
Machinery & Equipment	(983,017)	(52,222)	-	(1,035,239)
Vehicles	(106,444)	(17,329)	23,104	(100,669)
Total accumulated depreciation	<u>(6,606,150)</u>	<u>(538,042)</u>	<u>23,104</u>	<u>(7,121,088)</u>
Total capital assets, being depreciated, net	<u>7,722,729</u>	<u>23,262</u>	<u>-</u>	<u>7,745,991</u>
Governmental activities capital assets, net	<u>\$ 11,351,561</u>	<u>\$ 23,262</u>	<u>\$ -</u>	<u>\$ 11,374,823</u>

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

Governmental Activities:

General Government	\$ 86,111
Public Safety	-
Economic Development	-
Highways and Public Works	362,986
Parks and Recreation	86,458
Cemetery	<u>2,486</u>
	\$
Total Depreciation Expense	<u>538,041</u>

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6. 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	\$ 21,415,800	\$ 437,500	\$ -	\$ 21,853,300
Construction in Progress	61,150	522,052	(61,150)	522,052
Total capital assets, not being depreciated	<u>21,476,950</u>	<u>959,552</u>	<u>(61,150)</u>	<u>22,375,352</u>
Capital assets, being depreciated				
Buildings	25,053	-	-	25,053
Water Distribution System	9,846,937	171,276	-	10,018,213
Machinery & Equipment	479,163	-	-	479,163
Ice Rink	339,015	-	-	339,015
Total capital assets, being depreciated	<u>10,690,168</u>	<u>171,276</u>	<u>-</u>	<u>10,861,444</u>
Accumulated Depreciation for:				
Buildings	(5,785)	(644)	-	(6,429)
Water Distribution System	(2,051,189)	(229,442)	-	(2,280,631)
Machinery & Equipment	(190,829)	(27,092)	-	(217,921)
Ice Rink	(86,070)	(8,580)	-	(94,650)
Total accumulated depreciation	<u>(2,333,873)</u>	<u>(265,758)</u>	<u>-</u>	<u>(2,599,631)</u>
Total capital assets, being depreciated, net	<u>8,356,295</u>	<u>(94,482)</u>	<u>-</u>	<u>8,261,813</u>
Business-type activities capital assets, net	<u>\$ 29,833,245</u>	<u>\$ 865,070</u>	<u>\$ (61,150)</u>	<u>\$ 30,637,165</u>

Depreciation Expense was charged to the proprietary funds as follows:

Business-type Activities:

Water Fund	\$ 240,171
Ice Rink Fund	<u>25,587</u>
Total Depreciation Expense	<u>\$ 265,758</u>

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7. 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.

Transfers In:	Transfers Out		
	General Fund	Water Fund	Total
Capital Projects	\$ 793,023	\$ -	\$ 793,023
MBA Fund	13,950	-	13,950
CDRA Fund	98,420	-	98,420
Ice Rink	78,290	-	78,290
Totals	\$ 983,683	\$ -	\$ 983,683

NOTE 8. 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 \$2,550 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:

Year Ended June 30,	Lease Revenue Bonds 2002 2.50%		
	Principal	Interest	Total
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	\$ 92,000	\$ 10,550	\$ 102,550

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8. 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, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Lease Revenue Bonds	\$ 102,000	\$ -	\$ (11,000)	\$ 91,000	\$ 11,000
Net Pension Liability	-	252,060	-	252,060	-
Total Debt	102,000	252,060	(11,000)	343,060	11,000
Compensated Absences	32,612	6,763	-	39,375	-
<i>Total Governmental Activities</i>	<u>\$ 134,612</u>	<u>\$ 258,823</u>	<u>\$ (11,000)</u>	<u>\$ 382,435</u>	<u>\$ 11,000</u>

Business-type Activities:	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Net Pension Liability	\$ -	\$ 36,305	\$ -	\$ 36,305	\$ -
<i>Total Business-type Activities</i>	<u>\$ -</u>	<u>\$ 36,305</u>	<u>\$ -</u>	<u>\$ 36,305</u>	<u>\$ -</u>

NOTE 9. RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description:

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

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

**MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9. RETIREMENT SYSTEM

Benefits Provided:

URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65*	2.0% per year all years	Up to 4%
Contributory System	Highest 5 years	30 years any age 20 years any age* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.0% per year July 1975 to present	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65*	1.5% per year all years	Up to 2.5%

* with actuarial reductions

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

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. RETIREMENT SYSTEM

Contributions:

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

Utah Retirement Systems

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Contributory System			
11 - Local Government Division Tier 1	N/A	6.000%	14.460%
111 - Local Government Division Tier 2	N/A	N/A	14.830%
Noncontributory System			
15 - Local Government Division Tier 1	N/A	N/A	18.470%

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

At December 31, 2014, we reported a net pension asset of \$723 and a net pension liability of \$288,365.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0620119%	\$ -	\$ 269,270
Contributory System	0.0662009%	\$ -	\$ 19,095
Tier 2 Public Employees System	0.0238671%	\$ 723	\$ -
Total Net Pension Asset/Liability		<u>\$ 723</u>	<u>\$ 288,365</u>

The net pension asset and liability was measure as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, we recognized pension expense of \$76,483. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. RETIREMENT SYSTEM

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,127
Changes in assumptions	-	27,573
Net difference between projected and actual earnings on pension plan investments	7,055	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	64,153	-
Total	<u>\$ 71,208</u>	<u>\$ 39,700</u>

\$64,153 was reported as deferred outflows of resources related to pensions resulting from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Deferred Outflows (Inflows) of Resources
2015	\$ (10,277)
2016	(7,942)
2017	(6,989)
2018	(6,644)
2019	(127)
Thereafter	\$ (664)

**MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9. RETIREMENT SYSTEM

Actuarial assumptions:

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.50 - 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWC (100%)

Women EDUC (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUC (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUC = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 – December 31, 2013.

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

MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. RETIREMENT SYSTEM

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-term Expected Portfolio Real Rate of Return
Equity Securities	40%	7.06%	2.82%
Debt Securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private Equity	9%	11.30%	1.02%
Absolute Return	18%	3.15%	0.57%
Cash and Cash Equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.75%
	Expected arithmetic nominal return		7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount Rate:

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate:

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated used a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of Net pension (asset) / liability	\$ 705,684	\$ 287,642	\$ (60,388)

Pension Plan Fiduciary Net Position:

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

**MIDWAY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10. 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 11. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

For the year ended June 30, 2015 the City maintained expenditures within the appropriated amounts by department and by fund.

NOTE 12. 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, 2015, the following activity occurred in the City's CDRA:

Tax increment collection from other taxing agencies	\$	17,600
Tax increment paid to other taxing authorities		89,173
Outstanding loans to finance CDRA projects		-
Amounts expended for site improvements and preparation costs		-
Amounts expended for administrative costs		-

NOTE 13. PRIOR YEAR ADJUSTMENT – NEW ACCOUNTING STANDARD

The requirement to apply GASB 68 this fiscal year resulted in an adjustment to prior period net position. This is due to the required disclosure of a Net Pension Liability, Deferred Outflows and Inflows of Resources and, if applicable, a Net Pension Asset. This accounting change did not require an adjustment to the fund financial statements. The net effect on net position is as follows:

	Net Position - Beginning	GASB 68 Adjustments to Prior Year	Net Position - Beginning Restated
Governmental Activities	17,160,756	(266,674)	16,894,082
Water	34,399,486	(34,780)	34,364,706
Ice Rink	570,621	(3,630)	566,991

MIDWAY CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Current Year Property Taxes	\$ 725,000	\$ 719,800	\$ 685,825	\$ (33,975)
Fee in Lieu	36,000	44,550	44,597	47
Redemptions	2,640	28,560	28,596	36
Sales and Use Taxes	530,000	555,220	607,084	51,864
Telecommunication and Franchise Fees	325,000	336,900	348,162	11,262
Transient Room Tax	45,000	68,680	77,041	8,361
Resort Tax	340,000	405,890	445,069	39,179
Highway Tax	95,000	117,140	127,598	10,458
	<u>2,098,640</u>	<u>2,276,740</u>	<u>2,363,972</u>	<u>87,232</u>
Licenses and Permits:				
Business Licenses	25,000	29,650	29,983	333
Building Permits	305,000	273,800	292,885	19,085
Plan Check Fees	180,000	175,030	181,819	6,789
Other Licenses	3,710	3,580	3,746	166
	<u>513,710</u>	<u>482,060</u>	<u>508,433</u>	<u>26,373</u>
Intergovernmental:				
Class "C" Road Fund Allotment	155,000	199,470	167,363	(32,107)
Backnet Grants	66,562	60,000	66,599	6,599
Other Intergovernmental	19,500	23,290	23,399	109
	<u>241,062</u>	<u>282,760</u>	<u>257,361</u>	<u>(25,399)</u>
Charges for Services:				
Sanitation District	35,000	41,400	45,975	4,575
Zoning and Related Development Fees	42,800	164,030	170,408	6,378
Burial and Assessments	20,000	26,900	26,900	-
	<u>97,800</u>	<u>232,330</u>	<u>243,283</u>	<u>10,953</u>
Other Revenues:				
Interest Earnings	6,000	3,270	3,738	468
Rents	30,000	18,990	20,415	1,425
Bond Forfeiture	-	9,000	9,000	-
Miscellaneous Revenue	21,900	42,090	53,389	11,299
	<u>57,900</u>	<u>73,350</u>	<u>86,542</u>	<u>13,192</u>
Total Revenues	<u>\$ 3,009,112</u>	<u>\$ 3,347,240</u>	<u>\$ 3,459,591</u>	<u>\$ 112,351</u>

(continued)

MIDWAY CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
Expenditures:				
General Government:				
Mayor and Council	\$ 63,250	\$ 63,250	\$ 61,199	\$ 2,051
Administrative	315,810	352,240	329,006	23,234
Professional Services	181,153	277,153	274,088	3,065
Nondepartmental	337,255	62,415	57,922	4,493
Buildings	75,980	120,980	115,638	5,342
Planning and Zoning	181,750	181,750	179,073	2,677
Building Safety	230,222	230,222	209,116	21,106
	<u>1,385,420</u>	<u>1,288,010</u>	<u>1,226,042</u>	<u>61,968</u>
Public Safety	<u>256,589</u>	<u>255,689</u>	<u>244,217</u>	<u>11,472</u>
Economic Development	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Highways and Public Works	<u>240,300</u>	<u>382,799</u>	<u>359,570</u>	<u>23,229</u>
Parks and Recreation	<u>134,165</u>	<u>211,955</u>	<u>194,565</u>	<u>17,390</u>
Cemetery	<u>47,734</u>	<u>118,704</u>	<u>106,976</u>	<u>11,728</u>
Tourism and Culture	<u>33,340</u>	<u>38,400</u>	<u>29,413</u>	<u>8,987</u>
Total Expenditures	<u>2,122,548</u>	<u>2,320,557</u>	<u>2,185,783</u>	<u>134,774</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	(845,564)	(983,683)	(983,683)	-
Appropriations of Fund Balances	<u>(41,000)</u>	<u>(43,000)</u>	<u>-</u>	<u>(43,000)</u>
Total other financing sources (uses)	<u>(886,564)</u>	<u>(1,026,683)</u>	<u>(983,683)</u>	<u>(43,000)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>290,125</u>	<u>290,125</u>
Fund Balances at Beginning of Year	<u>574,674</u>	<u>574,674</u>	<u>574,674</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 574,674</u>	<u>\$ 574,674</u>	<u>\$ 864,799</u>	<u>\$ 290,125</u>

MIDWAY CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2014
Last 10 fiscal years*

	<u>Noncontributory System</u>	<u>Contributory Retirement System</u>	<u>Tier 2 Public Employees System</u>
Proportion of the net pension liability (asset)	0.0620119%	0.0662009%	0.0238671%
Proportion share of the net pension liability (asset)	\$ 269,270	\$ 19,095	\$ (723)
Covered employee payroll	\$ 490,929	\$ 36,077	\$ 117,502
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.8%	52.9%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	94.0%	103.5%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the current year.

See accompanying notes to required supplementary information

MIDWAY CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2014
 Last 10 fiscal years*

	<u>Noncontributory System</u>	<u>Contributory Retirement System</u>	<u>Tier 2 Public Employees System</u>
Contractually required contribution	\$ 97,465	\$ 4,912	\$ 9,847
Contributions in relation to the contractually required contribution	\$ (97,465)	\$ (4,912)	\$ (9,847)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 490,929	\$ 36,077	\$ 117,502
Contribution as a percentage of covered-employee payroll**	19.85%	13.62%	8.38%

* Amounts presented were determined as of calendar year January 1 - December 31. Employers will be required to prospectively develop this table in future years to show 10 years of information. The schedule above is only for the current year.

** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

See accompanying notes to required supplementary information

MIDWAY CITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2014

Other Information Not Required as Part of RSI

The information below is not required as part of GASB 68 but is provided for informational purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 - December 31.

Defined Contribution System

	<u>Employee Paid Contributions</u>	<u>Employer Paid Contributions</u>
401(k) Plan*	\$ 23,664	\$ 17,565
457 Plan	9,107	-
Roth IRA Plan	300	-
Traditional IRA Plan	-	-
HRA Plan	-	-

* The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.

SUPPLEMENTARY INFORMATION

MIDWAY CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AS OF JUNE 30, 2015

	MBA	CDRA	Perpetual Care	Total Nonmajor Governmental Funds
Assets				
Cash	\$ 11,233	\$ 36,904	\$ -	\$ 48,137
Restricted Cash	-	-	329,493	329,493
Total Assets	\$ 11,233	\$ 36,904	\$ 329,493	\$ 377,630
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts Payable	\$ -	\$ 15,592	\$ -	\$ 15,592
Total Liabilities	-	15,592	-	15,592
Fund Balances				
Restricted for:				
Perpetual Care	-	-	329,493	329,493
Assigned:				
MBA Fund	11,233	-	-	11,233
CDRA Fund	-	21,312	-	21,312
Total Fund Balances	11,233	21,312	329,493	362,038
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,233	\$ 36,904	\$ 329,493	\$ 377,630

MIDWAY CITY
COMBINING STATEMENT OF REVENUES,
EXPENDITURE, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>MBA</u>	<u>CDRA</u>	<u>Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Perpetual Care Fees	\$ -	\$ -	\$ 9,450	\$ 9,450
Interest	-	-	1,375	1,375
Total Revenues	-	-	10,825	10,825
EXPENDITURES				
Current Operating:				
General Government	-	-	-	-
Economic Development	-	89,173	-	89,173
Debt Service:				
Principal	10,000	-	-	10,000
Interest	2,550	-	-	2,550
Other	1,400	-	-	1,400
Total Expenditures	13,950	89,173	-	103,123
Excess of Revenues Over (Under) Expenditures	(13,950)	(89,173)	10,825	(92,298)
OTHER FINANCING SOURCES (USES)				
Transfers-In	13,950	98,420	-	112,370
Transfers-Out	-	-	-	-
Total other financing sources (uses)	13,950	98,420	-	112,370
Excess (Deficiency) of Revenues over Expenditures	-	9,247	10,825	20,072
Fund Balances at Beginning of Year	11,233	12,065	318,668	341,966
Fund Balances at End of Year	<u>\$ 11,233</u>	<u>\$ 21,312</u>	<u>\$ 329,493</u>	<u>\$ 362,038</u>

AUDITOR'S REPORTS



GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

RANDEL A. HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

**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, 2015, and the related notes to the financial statements, which collectively comprise Midway City's basic financial statements, and have issued our report thereon dated January 11, 2016.

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
January 11, 2016



GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

RANDELA HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

**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, 2015.

General state compliance requirements were tested for the year ended June 30, 2015 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement System Compliance
- Transfers from Utility Enterprise Funds
- Restricted Taxes
- Open and Public Meetings
- Cash Management
- Government Records Access Management Act (GRAMA)

The City did not receive any major assistance programs from the State of Utah during the year ended June 30, 2015.

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, 2015.

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.

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
January 11, 2016

MIDWAY CITY CORPORATION

**COMMUNICATION WITH THOSE
CHARGED WITH GOVERNANCE**

JUNE 30, 2015



GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

RANDELA HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

Honorable City Council
Midway City Corporation
Midway, UT

January 11, 2016

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, 2015. 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 December 4, 2015. 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. The District implemented Government Auditing Standards Board pronouncement 68 which is described in Note 1 and 9 of the financial statements. 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.

AMERICAN FORK OFFICE
85 NORTH CENTER STREET
AMERICAN FORK, UT 84003
(801) 756-9666
FAX (801) 756-9667

PROVO OFFICE
190 WEST 800 NORTH #100
PROVO, UT 84601
(801) 377-5300
FAX (801) 373-5622

HEBER OFFICE
45 SOUTH MAIN ST
HEBER, UT 84032
(435) 654-6477
FAX (801) 373-5622

WWW.GILBERTANDSTEWART.COM

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 January 11, 2016.

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

No findings

Utah State Legal Compliance Findings-Prior 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: City is in compliance.

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