



**Financial Statements and  
Supplementary Data with  
Independent Auditor's Report  
for the Year Ended  
June 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

Honorable City Council  
Midway City Corporation  
Midway, Utah

December 30, 2017

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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 December 30, 2017 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, 2017**

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This document is a narrative overview and analysis of the financial activities of Midway City for the fiscal year ending June 30, 2017. 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, 2017**

Government-wide Financial Statements

A condensed version of the Statement of Net Position at June 30, 2017 and 2016 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>						
Cash and investments	\$ 8,411,616	\$ 7,342,948	\$ 3,498,514	\$ 3,348,193	\$11,910,130	\$10,691,141
Other assets	1,199,843	1,096,154	3,398,534	3,016,043	4,598,377	4,112,197
Capital assets	14,636,253	13,663,170	34,189,189	31,830,244	48,825,442	45,493,414
Total assets	24,247,712	22,102,272	41,086,237	38,194,480	65,333,949	60,296,752
Deferred outflows of resources	227,497	200,628	38,654	33,827	266,151	234,455
Total assets and deferred outflows	24,475,209	22,302,900	41,124,891	38,228,307	65,600,100	60,531,207
<b>LIABILITIES</b>						
Current liabilities	1,404,866	940,064	226,724	65,103	1,631,590	1,005,167
Noncurrent liabilities	507,624	455,198	61,549	52,513	569,173	507,711
Total liabilities	1,912,490	1,395,262	288,273	117,616	2,200,763	1,512,878
Deferred inflows of resources	775,057	730,060	8,256	7,235	783,313	737,295
Total liabilities & deferred inflows	2,687,547	2,125,322	296,529	124,851	2,984,076	2,250,173
<b>NET POSITION</b>						
Net investment in capital assets	14,636,253	13,663,170	34,189,189	31,830,244	48,825,442	45,493,414
Restricted	2,335,200	2,077,460	226,998	492,417	2,562,198	2,569,877
Unrestricted	4,816,209	4,436,948	6,412,175	5,780,796	11,228,384	10,217,744
Total net position	\$21,787,662	\$20,177,578	\$40,828,362	\$38,103,457	\$62,616,024	\$58,281,035

During the year ended June 30, 2017 there were some significant events that changed the components of net position. An explanation of these events follows:

Governmental Activities:

- Cash has increased by \$1,068,668 compared to 2016. Most of this increase is in unrestricted funds.
- The City invested \$1,605,801 in new capital outlays; \$503,847 of this was contributed capital. Depreciation expense was \$632,717.
- With GASB 68, the City's financial statements now report the associated deferred outflows of resources of \$227,497, deferred inflows of resources of \$52,841, and the net pension liability of \$392,559.

**MIDWAY CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Business-Type Activities:**

- The business-type activities saw a increase in cash of \$150,321.
- Capital was also contributed to the Water Fund from developers in the form of infrastructure and water stock. The total amount contributed came to \$50,825 for infrastructure and \$1,737,500 for water stock. A condensed version of the Statement of Activities follows:

A condensed version of the Statement of Activities at June 30, 2017 and 2016 follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program revenues:						
Charges for services	\$ 961,829	\$ 927,483	\$ 1,423,194	\$ 1,315,803	\$ 2,385,023	\$ 2,243,286
Operating grants	280,358	231,299	-	-	280,358	231,299
Capital grants	829,905	2,023,443	1,949,076	957,009	2,778,981	2,980,452
General revenues:						
Taxes	2,807,809	2,402,592	-	-	2,807,809	2,402,592
Interest	73,744	43,526	450,831	212,171	524,575	255,697
Miscellaneous	37,196	56,432	-	120,050	37,196	176,482
Transfers	(50,492)	(43,883)	50,492	43,883	-	-
Total revenues	<u>4,940,349</u>	<u>5,640,892</u>	<u>3,873,593</u>	<u>2,648,916</u>	<u>8,813,942</u>	<u>8,289,808</u>
Expenses:						
General government	1,479,286	1,370,167	-	-	1,479,286	1,370,167
Public safety	258,755	217,757	-	-	258,755	217,757
Economic development	89,350	93,637	-	-	89,350	93,637
Highway and public works	1,040,348	712,121	-	-	1,040,348	712,121
Parks and recreation	346,304	396,145	-	-	346,304	396,145
Cemetery	117,324	98,707	-	-	117,324	98,707
Water	-	-	1,076,568	1,005,001	1,076,568	1,005,001
Ice Rink	-	-	72,120	67,997	72,120	67,997
Total expenses	<u>3,331,367</u>	<u>2,888,534</u>	<u>1,148,688</u>	<u>1,072,998</u>	<u>4,480,055</u>	<u>3,961,532</u>
Change in net position	<u>1,608,982</u>	<u>2,752,358</u>	<u>2,724,905</u>	<u>1,575,918</u>	<u>4,333,887</u>	<u>4,328,276</u>
Beginning net position	<u>20,178,680</u>	<u>17,425,220</u>	<u>38,103,457</u>	<u>36,527,539</u>	<u>58,282,137</u>	<u>53,952,759</u>
Ending net position	<u>\$21,787,662</u>	<u>\$20,177,578</u>	<u>\$ 40,828,362</u>	<u>\$ 38,103,457</u>	<u>\$ 62,616,024</u>	<u>\$ 58,281,035</u>

**Governmental activities:**

For the year ended June 30, 2017, the total revenues for the governmental activities were \$4,940,349. Program revenues totaled \$2,072,092. The major sources of program revenues are building permits, impact fees, and capital grants. Charges for services increased by \$34,346 compared to the prior year. General revenues for the year totaled \$2,868,257, which is netted with the transfer from business-type activities in the amount of \$50,492. The major sources of general revenues are taxes and interest earnings. Taxes comprise 55% of the City's general fund revenues.

**MIDWAY CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

Business-type activities:

For the year ended June 30, 2017, the total revenues for the business-type activities were \$3,873,593. Program revenues total \$3,372,270. The majority of the revenue is from charges for services of the enterprise funds, as well as water stock. The general revenues in the business-type activities consist of \$450,831 in interest and a transfer in from governmental activities of \$50,492. The water fund had operating income of \$943,187 while the ice rink fund had an operating loss of \$57,068. The Water Fund received \$1,788,325 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 \$265,593 less than was budgeted. In total, the actual revenues in the general fund were \$325,103 above the budgeted amounts.

Capital Assets

At June 30, 2017 the City had \$48,825,442 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 \$3,332,028 or 7.3% over last year.

	<b>Capital Assets at Year-end</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,628,832	\$ 3,628,832	\$ -	\$ -	\$ 3,628,832	\$ 3,628,832
Construction in Progress	591,674	-	509,704	470,131	1,101,378	470,131
Water Stock	-	-	23,590,800	21,853,300	23,590,800	21,853,300
Buildings	2,783,452	2,762,253	25,053	25,053	2,808,505	2,787,306
Improvements	2,237,596	2,201,085	-	-	2,237,596	2,201,085
Infrastructure	11,953,303	11,332,195	12,422,501	11,532,063	24,375,804	22,864,258
Machinery & Equipment	1,474,339	1,149,975	479,164	479,164	1,953,503	1,629,139
Vehicles	266,519	274,896	-	-	266,519	274,896
Ice Rink	-	-	339,015	339,015	339,015	339,015
Subtotal	22,935,715	21,349,236	37,366,237	34,698,726	60,301,952	56,047,962
Accum Depreciation	(8,299,462)	(7,686,066)	(3,177,048)	(2,868,482)	(11,476,510)	(10,554,548)
Capital Assets, Net	<u>\$ 14,636,253</u>	<u>\$ 13,663,170</u>	<u>\$ 34,189,189</u>	<u>\$ 31,830,244</u>	<u>\$ 48,825,442</u>	<u>\$ 45,493,414</u>

Capital Assets (Continued)

The most significant additions to capital assets in the governmental activities were \$424,659 in road improvements, \$503,847 in contributed capital and \$324,363 in new equipment.

The most significant additions to capital assets in the business-type activities were \$509,704 in construction improvements, \$428,571 on the Alpenhoff Well, and contributed capital of \$1,788,325.

**MIDWAY CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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Debt Outstanding

At year-end, the City had \$70,000 in long term liabilities outstanding versus \$81,000 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, 2017**

Assets	Governmental Activities	Business-type Activities	Total
Cash	\$ 6,065,118	\$ 3,271,516	\$ 9,336,634
Restricted Cash	2,346,498	226,998	2,573,496
Prepaid Insurance	-	-	-
Accounts Receivable (Net)	79,454	31,173	110,627
Due From Other Governments	1,119,614	-	1,119,614
Inventory	-	20,000	20,000
Investment in Joint Venture	-	3,347,361	3,347,361
Net Pension Asset	775	-	775
Capital Assets:			
Land	3,628,832	-	3,628,832
Construction in Progress	591,674	509,704	1,101,378
Water Stock	-	23,590,800	23,590,800
Buildings	2,783,452	25,053	2,808,505
Improvements	2,237,596	-	2,237,596
Infrastructure	11,953,303	12,422,501	24,375,804
Machinery and Equipment	1,740,858	479,164	2,220,022
Ice Rink	-	339,015	339,015
Less Accumulated Depreciation	(8,299,462)	(3,177,048)	(11,476,510)
Total Capital Assets, Net	<u>14,636,253</u>	<u>34,189,189</u>	<u>48,825,442</u>
Total Assets	<u>24,247,712</u>	<u>41,086,237</u>	<u>65,333,949</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources - Pensions	227,497	38,654	266,151
Total Assets and Deferred Outflows of Resources	<u>24,475,209</u>	<u>41,124,891</u>	<u>65,600,100</u>
Liabilities and Deferred Inflows of Resources			
Accounts Payable	500,897	198,657	699,554
Accrued Liabilities	23,795	-	23,795
Deposits and Bonds	869,174	28,067	897,241
Noncurrent Liabilities:			
Due in Less Than One Year	11,000	-	11,000
Due in More Than One Year	507,624	61,549	569,173
Total Liabilities	<u>1,912,490</u>	<u>288,273</u>	<u>2,200,763</u>
Deferred Inflows of Resources			
Unavailable Revenues - Property Taxes	722,216	-	722,216
Deferred Inflows of Resources - Pensions	52,841	8,256	61,097
Total Liabilities and Deferred Inflows of Resources	<u>2,687,547</u>	<u>296,529</u>	<u>2,984,076</u>
NET POSITION			
Net Investment in Capital Assets	14,636,253	34,189,189	48,825,442
Restricted For:			
Class "C" Roads	321,977	-	321,977
Highway Tax	-	-	-
Impact Fees	1,683,730	226,998	1,910,728
Perpetual Care	329,493	-	329,493
Unrestricted	<u>4,816,209</u>	<u>6,412,175</u>	<u>11,228,384</u>
Total Net Position	<u>\$ 21,787,662</u>	<u>\$ 40,828,362</u>	<u>\$ 62,616,024</u>

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

**MIDWAY CITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Revenues				Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
<b>Governmental Activities</b>							
General Government	\$ 1,479,286	\$ 514,143	\$ 782	\$ -	\$ (964,361)	\$ -	\$ (964,361)
Public Safety	258,755	3,127	62,697	-	(192,931)	-	(192,931)
Economic Development	89,350	311,588	-	-	222,238	-	222,238
Highways and Public Works	1,040,348	69,676	216,879	669,599	(84,194)	-	(84,194)
Parks and Recreation	346,304	26,845	-	160,306	(159,153)	-	(159,153)
Cemetery	117,324	36,450	-	-	(80,874)	-	(80,874)
<b>Total Governmental Activities</b>	<b>3,331,367</b>	<b>961,829</b>	<b>280,358</b>	<b>829,905</b>	<b>(1,259,275)</b>	<b>-</b>	<b>(1,259,275)</b>
<b>Business-type Activities</b>							
Water	1,076,568	1,408,194	-	1,949,076	-	2,280,702	2,280,702
Ice Rink	72,120	15,000	-	-	-	(57,120)	(57,120)
<b>Total Business-type Activities</b>	<b>1,148,688</b>	<b>1,423,194</b>	<b>-</b>	<b>1,949,076</b>	<b>-</b>	<b>2,223,582</b>	<b>2,223,582</b>
<b>Total Government</b>	<b>\$ 4,480,055</b>	<b>\$ 2,385,023</b>	<b>\$ 280,358</b>	<b>\$ 2,778,981</b>	<b>(1,259,275)</b>	<b>2,223,582</b>	<b>964,307</b>
<b>General Revenues:</b>							
<b>Taxes</b>							
Property					783,788	-	783,788
Sales and Use					746,084	-	746,084
Telecommunication and Franchise					461,597	-	461,597
Room Tax					88,416	-	88,416
Resort Tax					563,660	-	563,660
Highway Tax					164,264	-	164,264
Interest and Investment Earnings					73,744	450,831	524,575
Miscellaneous					37,196	-	37,196
Transfers					(50,492)	50,492	-
<b>Total General Revenues and Transfers</b>					<b>2,868,257</b>	<b>501,323</b>	<b>3,369,580</b>
Change in Net Position					1,608,982	2,724,905	4,333,887
Net Position at Beginning of Year					20,178,680	38,103,457	58,282,137
Net Position at End of Year					<b>\$ 21,787,662</b>	<b>\$ 40,828,362</b>	<b>\$ 62,616,024</b>

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

**MIDWAY CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 1,364,813	\$ 4,689,773	\$ 10,532	\$ 6,065,118
Restricted Cash	-	2,005,707	340,791	2,346,498
Prepaid Insurance	-	-	-	-
Accounts Receivable	79,454	-	-	79,454
Due From Other Governments	1,119,614	-	-	1,119,614
<b>TOTAL ASSETS</b>	<u>\$ 2,563,881</u>	<u>\$ 6,695,480</u>	<u>\$ 351,323</u>	<u>\$ 9,610,684</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 17,361	\$ 483,536	\$ -	\$ 500,897
Accrued Liabilities	23,795	-	-	23,795
Deposits and Bonds	869,174	-	-	869,174
<b>TOTAL LIABILITIES</b>	<u>910,330</u>	<u>483,536</u>	<u>-</u>	<u>1,393,866</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>722,216</u>	<u>-</u>	<u>-</u>	<u>722,216</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>1,632,546</u>	<u>483,536</u>	<u>-</u>	<u>2,116,082</u>
<b>FUND BALANCES</b>				
<b>Restricted for:</b>				
Class C Roads	-	321,977	-	321,977
Highway Tax	-	-	-	-
Park Impact Fees	-	258,896	-	258,896
Trails Impact Fees	-	253,748	-	253,748
Transportation Impact Fees	-	1,171,086	-	1,171,086
Perpetual Care	-	-	329,493	329,493
<b>Committed:</b>				
Park Construction	-	49,630	-	49,630
<b>Assigned:</b>				
Capital Projects	-	4,156,607	-	4,156,607
CDRA Fund	-	-	11,298	11,298
MBA Fund	-	-	10,532	10,532
Unassigned	931,335	-	-	931,335
<b>TOTAL FUND BALANCES</b>	<u>931,335</u>	<u>6,211,944</u>	<u>351,323</u>	<u>7,494,602</u>
<b>TOTAL LIABILITIES, DEFERRED OUTFLOWS AND FUND BALANCES</b>	<u>\$ 2,563,881</u>	<u>\$ 6,695,480</u>	<u>\$ 351,323</u>	<u>\$ 9,610,684</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, 2017**

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

<b>Total fund balances--total governmental funds</b>	<b>\$ 7,494,602</b>
<b>Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund financial statements.</b>	<b>14,636,253</b>
<b>Net pension assets used in governmental activities are not financial resources and , therefore, are not reported in the funds.</b>	<b>775</b>
<b>Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the fund statements.</b>	<b>227,497</b>
<b>Deferred inflows of resources, a use of net position that applies to future periods, is not shown in the fund statements.</b>	<b>(52,841)</b>
<b>Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.</b>	
<b>Those liabilities consist of:</b>	
Net Pension Liability	(392,559)
MBA Lease Revenue Bonds	(70,000)
Compensated Absences	<u>(56,065)</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 21,787,662</u></u></b>

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

**MIDWAY CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 2,807,809	\$ -	\$ -	\$ 2,807,809
Licenses and Permits	516,829	-	-	516,829
Intergovernmental	280,358	-	-	280,358
Charges for services	400,214	-	-	400,214
Other Revenues	84,763	70,820	143	155,726
Impact Fees	-	326,058	-	326,058
Interfund services provided	-	-	-	-
<b>Total Revenues</b>	<u>4,089,973</u>	<u>396,878</u>	<u>143</u>	<u>4,486,994</u>
<b>EXPENDITURES</b>				
<b>Current Operating:</b>				
General Government	1,310,619	37,462	-	1,348,081
Public Safety	258,022	-	-	258,022
Economic Development	25,000	-	64,350	89,350
Highways and Public Works	304,490	289,194	-	593,684
Parks and Recreation	217,762	-	-	217,762
Cemetery	111,065	-	-	111,065
Tourism and Culture	36,010	-	-	36,010
<b>Debt Service:</b>				
Principal	-	-	11,000	11,000
Interest	-	-	2,025	2,025
Other	-	-	-	-
<b>Capital Outlay</b>				
General Government	-	21,200	-	21,200
Highways and Public Works	-	647,504	-	647,504
Parks and Recreation	-	433,249	-	433,249
Cemetery	-	-	-	-
<b>Total Expenditures</b>	<u>2,262,968</u>	<u>1,428,609</u>	<u>77,375</u>	<u>3,768,952</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>1,827,005</u>	<u>(1,031,731)</u>	<u>(77,232)</u>	<u>718,042</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-In	-	1,401,266	77,297	1,478,563
Transfers-Out	(1,529,055)	-	-	(1,529,055)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,529,055)</u>	<u>1,401,266</u>	<u>77,297</u>	<u>(50,492)</u>
<b>Net Change in Fund Balances</b>	<u>297,950</u>	<u>369,535</u>	<u>65</u>	<u>667,550</u>
<b>Fund Balances at Beginning of Year</b>	<u>633,385</u>	<u>5,842,409</u>	<u>351,258</u>	<u>6,827,052</u>
<b>Fund Balances at End of Year</b>	<u>\$ 931,335</u>	<u>\$ 6,211,944</u>	<u>\$ 351,323</u>	<u>\$ 7,494,602</u>

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

**MIDWAY CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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Net change in fund balance, total governmental funds \$ 667,550

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 capital additions exceeded depreciation in the current period.

Capital Outlays	1,101,953	
Depreciation Expense	<u>(632,717)</u>	469,236

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. (29,169)

Capital assets contributed by developers constitute revenues on the government-wide financial statements. 503,847

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	11,000	
Net change of Compensated Absences	(13,482)	<u>(2,482)</u>

Change in net position of governmental activities \$ 1,608,982

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

**MIDWAY CITY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	Water	Ice Rink	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	\$ 3,147,127	\$ 124,389	\$ 3,271,516
Accounts Receivable (Net)	31,173	-	31,173
Inventory	20,000	-	20,000
<b>Total Current Assets</b>	<b>3,198,300</b>	<b>124,389</b>	<b>3,322,689</b>
<b>Noncurrent Assets:</b>			
Restricted Cash	226,998	-	226,998
Investment in Joint Venture	3,347,361	-	3,347,361
<b>Capital Assets:</b>			
Water Stock	23,590,800	-	23,590,800
Construction in Progress	509,704	-	509,704
Water Distribution System	12,422,501	-	12,422,501
Buildings	-	25,053	25,053
Machinery and Equipment	157,504	321,660	479,164
Ice Sheet	-	339,015	339,015
Less Accumulated Depreciation	(2,957,175)	(219,873)	(3,177,048)
<b>Total Capital Assets, Net</b>	<b>33,723,334</b>	<b>465,855</b>	<b>34,189,189</b>
<b>Total Noncurrent Assets</b>	<b>37,297,693</b>	<b>465,855</b>	<b>37,763,548</b>
<b>Total Assets</b>	<b>40,495,993</b>	<b>590,244</b>	<b>41,086,237</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources Relating To Pensions	36,638	2,016	38,654
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 40,532,631</b>	<b>\$ 592,260</b>	<b>\$ 41,124,891</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 198,657	\$ -	\$ 198,657
Customer Deposits	28,067	-	28,067
<b>Total Current Liabilities</b>	<b>226,724</b>	<b>-</b>	<b>226,724</b>
<b>Noncurrent Liabilities:</b>			
Net Pension Liability	57,123	4,426	61,549
<b>Total Noncurrent Liabilities</b>	<b>57,123</b>	<b>4,426</b>	<b>61,549</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources Relating To Pensions	7,656	600	8,256
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>291,503</b>	<b>5,026</b>	<b>296,529</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	33,723,334	465,855	34,189,189
Restricted for Impact Fees	226,998	-	226,998
Unrestricted	6,290,796	121,379	6,412,175
<b>Total Net Position</b>	<b>40,241,128</b>	<b>587,234</b>	<b>40,828,362</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 40,532,631</b>	<b>\$ 592,260</b>	<b>\$ 41,124,891</b>

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, 2017**

	<u>Water</u>	<u>Ice Rink</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for Services	\$ 1,333,252	\$ 15,000	\$ 1,348,252
Connection Fees	74,942	-	74,942
<b>Total Operating Revenues</b>	<u>1,408,194</u>	<u>15,000</u>	<u>1,423,194</u>
<b>Operating Expenses:</b>			
Salaries and Benefits	164,803	8,228	173,031
Maintenance and Supplies	229,330	25,845	255,175
Professional and Technical	41,650	-	41,650
Utilities	34,854	2,904	37,758
Depreciation	283,026	25,542	308,568
Contracted Services	72,542	3,045	75,587
Other	250,363	6,556	256,919
<b>Total Operating Expenses</b>	<u>1,076,568</u>	<u>72,120</u>	<u>1,148,688</u>
<b>Operating Income (Loss)</b>	<u>331,626</u>	<u>(57,120)</u>	<u>274,506</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest Revenue	50,475	-	50,475
Joint Venture Income (Loss)	400,356	-	400,356
Reimbursements	-	-	-
Impact Fees	160,751	-	160,751
<b>Total Nonoperating Revenues (Expenses)</b>	<u>611,582</u>	<u>-</u>	<u>611,582</u>
<b>Net Income (Loss) Before Contributions</b>	<u>943,208</u>	<u>(57,120)</u>	<u>886,088</u>
Capital Contributions	1,788,325	-	1,788,325
Transfers In (Out)	-	50,492	50,492
<b>Change in Net Position</b>	<u>2,731,533</u>	<u>(6,628)</u>	<u>2,724,905</u>
<b>Total Net Position - Beginning - as Restated</b>	<u>37,509,595</u>	<u>593,862</u>	<u>38,103,457</u>
<b>Total Net Position - Ending</b>	<u>\$ 40,241,128</u>	<u>\$ 587,234</u>	<u>\$ 40,828,362</u>

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, 2017**

	<u>Water</u>	<u>Ice Rink</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Cash Received From Customers	\$ 1,388,567	\$ 15,000	\$ 1,403,567
Cash Paid to Suppliers	(467,118)	(38,302)	(505,420)
Cash Paid to Employees	(159,792)	(8,066)	(167,858)
Net Cash Provided (Used) by Operating Activities	<u>761,657</u>	<u>(31,368)</u>	<u>730,289</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers In/Out	-	50,492	50,492
Net Cash Used in Noncapital Financing Activities	<u>-</u>	<u>50,492</u>	<u>50,492</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and Construction of Capital Assets	(879,186)	-	(879,186)
Reimbursements	-	-	-
Impact Fees Collected	160,751	-	160,751
Net Cash in Capital and Related Financing Activities	<u>(718,435)</u>	<u>-</u>	<u>(718,435)</u>
<b>Cash Flows from Investing Activities</b>			
Interest on Investments	50,475	-	50,475
Dividends from Joint Venture	37,500	-	37,500
Net Cash Provided by Investing Activities	<u>87,975</u>	<u>-</u>	<u>87,975</u>
<b>Net Increase (Decrease) in Cash</b>	<b>131,197</b>	<b>19,124</b>	<b>150,321</b>
<b>Cash - July 1</b>	<u><b>3,242,928</b></u>	<u><b>105,265</b></u>	<u><b>3,348,193</b></u>
<b>Cash - June 30</b>	<u><u><b>\$ 3,374,125</b></u></u>	<u><u><b>\$ 124,389</b></u></u>	<u><u><b>\$ 3,498,514</b></u></u>
<b>Noncash Investing and Financing:</b>			
Contributions from Developers	<u>1,788,325</u>	<u>-</u>	<u>1,788,325</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ 331,626	\$ (57,120)	\$ 274,506
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	283,026	25,542	\$ 308,568
Changes in Assets, Liabilities, Deferred Outflows/Inflows:			
Accounts Receivable	(19,627)	-	(19,627)
Accounts Payable	161,621	48	161,669
Customer Deposits	-	-	-
Accounts Payable - Related to Capital	-	-	-
Net Pension Liability	5,011	162	5,173
<b>Net Cash Provided by Operating Activities</b>	<u><u><b>\$ 761,657</b></u></u>	<u><u><b>\$ (31,368)</b></u></u>	<u><u><b>\$ 730,289</b></u></u>

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

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**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, 2017**

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**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, 2017**

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**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, 2017**

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**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.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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.

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F.      Assets, Liabilities and Equity (continued)**

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.

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 prepaids.

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, 2017**

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**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, 2017**

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**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, 2017**

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**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 1<sup>st</sup> and delinquent after 12 o'clock noon on November 30<sup>th</sup> of each year. The tax levy is established by June 15<sup>th</sup> with a lien date of January 1<sup>st</sup>. 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 15<sup>th</sup> 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, 2017**

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**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 1<sup>st</sup>, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1<sup>st</sup>. 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 15<sup>th</sup> 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, 2017**

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**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, 2017, \$716,545 of the City's bank balances of \$1,027,309 was uninsured and uncollateralized.

Investments

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

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The 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.

The Money Management Act defines the types of securities authorized as appropriate investments for the City's funds 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; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A"

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)**

or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code*, Title 51, Chapter 7). 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 of the PTIF, net of administration fees, 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.

*Fair Value of Investments*

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

At June 30, 2017, the City had the following recurring fair value measurements.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments by fair value level</b>				
Debt securities:				
Utah Public Treasurer's Investment Fund	11,079,019	-	11,079,019	-
Total debt securities	<u>11,079,019</u>	<u>-</u>	<u>11,079,019</u>	<u>-</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- Utah Public Treasurers' Investment Fund: application of the year end fair value factor, as calculated by the Utah State Treasurer, to the City's average daily balance in the Fund; and,

*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.

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)**

Investment Type	Fair Value	Investment Maturities (in Years)				Quality Ratings
		Less than 1	1-5	6-10	More than 10	
PTIF Investments	\$11,079,019	\$11,079,019	-	-	-	not rated
	\$11,079,019	\$11,079,019	-	-	-	

*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.

The City’s investment in the State of Utah Public Treasurer’s Investment Fund did not have a quality rating. (Unrated).

*Concentration of credit risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The 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.

Components of cash and investments (including interest earning deposits) at June 30, 2017, are as follows:

Cash on hand and on deposit:	
Cash on deposit	\$ 830,811
Petty cash	300
PTIF investment	<u>11,079,019</u>
Total cash and investments	<u><u>\$ 11,910,130</u></u>

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

Cash	\$ 9,336,634
Restricted Cash	<u>2,573,496</u>
Total cash and investments	<u><u>\$ 11,910,130</u></u>

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS**

Accounts receivable for the City, including the applicable allowance for uncollectible accounts at June 30, 2017, are as follows:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>
Receivables:			
Individual accounts	\$ 79,454	\$ 35,704	\$ 115,158
Sales tax	134,942	-	134,942
Highway tax	28,610	-	28,610
Resort tax	96,352	-	96,352
Room tax	13,381	-	13,381
Telecommunication tax	7,504	-	7,504
Energy sales tax	431	-	431
Franchise tax	37,843	-	37,843
Property taxes - current	10,549	-	10,549
Property taxes - unavailable	722,216	-	722,216
Class C Roads	53,597	-	53,597
Grant receivables	14,189	-	14,189
	<u>1,199,068</u>	<u>35,704</u>	<u>1,234,772</u>
Less: Allowance for uncollectibles	<u>-</u>	<u>(4,531)</u>	<u>(4,531)</u>
Net total receivables	<u><b>\$ 1,199,068</b></u>	<u><b>\$ 31,173</b></u>	<u><b>\$ 1,230,241</b></u>
Statement of Net Position:			
Accounts Receivable (Net)	\$ 79,454	\$ 31,173	\$ 110,627
Due from Other Governments	<u>1,119,614</u>	<u>-</u>	<u>1,119,614</u>
	<u><b>\$ 1,199,068</b></u>	<u><b>\$ 31,173</b></u>	<u><b>\$ 1,230,241</b></u>

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**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>100.00%</u>

	Joint Ventures	Midway City's Portion
Assets	\$ 42,831,722	\$ 5,353,965
Liabilities	<u>15,902,835</u>	<u>1,987,854</u>
Net Position	<u>\$ 26,928,887</u>	<u>\$ 3,366,111</u>

Operating Revenues	\$ 18,421,086	\$ 2,302,636
Cost of Sales	<u>8,930,601</u>	<u>1,116,325</u>
Gross Profit	9,490,485	1,186,311
Operating Expenses	<u>7,639,780</u>	<u>954,973</u>
Income from Operations	1,850,705	231,338
Nonoperating Income (Expense)	<u>(568,511)</u>	<u>(71,064)</u>
Net Income (Loss)	1,282,194	160,274
Add: Impact Fees	1,309,286	163,661
Add: Contributed Capital	<u>1,639,321</u>	<u>204,915</u>
Change in Net Position	4,230,801	528,850
Beginning Net Position	22,998,086	2,874,761
Less: Distributions to Owners	<u>(300,000)</u>	<u>(37,500)</u>
Ending Net Position	<u>\$ 26,928,887</u>	<u>\$ 3,366,111</u>

Reconciliation to Statement of Net Position

Balance at December 31, 2016	\$ 3,366,111
Less: Withdrawals between December 31st and June 30th	<u>(18,750)</u>
Balance at June 30, 2017	<u>\$ 3,347,361</u>

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**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>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 3,628,832	\$ -	\$ -	\$ 3,628,832
Construction in Progress	-	591,674	-	591,674
Total capital assets, not being depreciated	<u>3,628,832</u>	<u>591,674</u>	<u>-</u>	<u>4,220,506</u>
Capital assets, being depreciated				
Buildings	2,762,252	21,200	-	2,783,452
Improvements - nonbuilding	2,201,085	36,511	-	2,237,596
Infrastructure	11,332,195	621,109	-	11,953,304
Machinery & Equipment	1,149,975	324,363	-	1,474,338
Vehicles	274,896	10,944	(19,321)	266,519
Total capital assets, being depreciated	<u>17,720,404</u>	<u>1,014,127</u>	<u>(19,321)</u>	<u>18,715,209</u>
Accumulated Depreciation for:				
Buildings	(678,109)	(70,591)	-	(748,700)
Improvements - nonbuilding	(811,511)	(120,291)	-	(931,802)
Infrastructure	(4,986,323)	(331,742)	-	(5,318,065)
Machinery & Equipment	(1,079,667)	(74,861)	-	(1,154,528)
Vehicles	(130,455)	(35,233)	19,321	(146,367)
Total accumulated depreciation	<u>(7,686,066)</u>	<u>(632,718)</u>	<u>19,321</u>	<u>(8,299,462)</u>
Total capital assets, being depreciated, net	<u>10,034,338</u>	<u>381,409</u>	<u>-</u>	<u>10,415,747</u>
Governmental activities capital assets, net	<u>\$ 13,663,170</u>	<u>\$ 973,083</u>	<u>\$ -</u>	<u>\$ 14,636,253</u>

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

**Governmental Activities:**

General Government	\$ 96,946
Highways and Public Works	443,065
Parks and Recreation	89,628
Cemetery	<u>3,078</u>
Total Depreciation Expense	<u>\$ 632,717</u>

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Water Stock	\$ 21,853,300	\$ 1,737,500	\$ -	\$ 23,590,800
Construction in Progress	470,131	509,704	(470,131)	509,704
Total capital assets, not being depreciated	<u>22,323,431</u>	<u>2,247,204</u>	<u>(470,131)</u>	<u>24,100,504</u>
Capital assets, being depreciated				
Buildings	25,053	-	-	25,053
Water Distribution System	11,532,064	890,437	-	12,422,501
Machinery & Equipment	479,164	-	-	479,164
Ice Rink	339,015	-	-	339,015
Total capital assets, being depreciated	<u>12,375,295</u>	<u>890,437</u>	<u>-</u>	<u>13,265,733</u>
Accumulated Depreciation for:				
Buildings	(7,062)	(620)	-	(7,682)
Water Distribution System	(2,519,567)	(281,858)	-	(2,801,425)
Machinery & Equipment	(238,629)	(17,528)	-	(256,157)
Ice Rink	(103,224)	(8,560)	-	(111,784)
Total accumulated depreciation	<u>(2,868,482)</u>	<u>(308,566)</u>	<u>-</u>	<u>(3,177,048)</u>
Total capital assets, being depreciated, net	<u>9,506,813</u>	<u>581,871</u>	<u>-</u>	<u>10,088,685</u>
Business-type activities capital assets, net	<u>\$ 31,830,244</u>	<u>\$ 2,829,075</u>	<u>\$ (470,131)</u>	<u>\$ 34,189,189</u>

Depreciation Expense was charged to the proprietary funds as follows:

**Business-type Activities:**

Water Fund	\$ 283,025
Ice Rink Fund	<u>25,541</u>
Total Depreciation Expense	<u>\$ 308,566</u>

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**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.

<u>Transfers In:</u>	<u>Transfers Out</u>		
	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Capital Projects</b>	\$ 1,401,266	\$ -	\$ 1,401,266
<b>MBA Fund</b>	12,947	-	12,947
<b>CDRA Fund</b>	64,350	-	64,350
<b>Ice Rink</b>	50,492	-	50,492
<b>Totals</b>	<u>\$ 1,529,055</u>	<u>\$ -</u>	<u>\$ 1,529,055</u>

**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 \$2,025 has been charged as a direct expense to the Cemetery Department in the Statement of Activities.

The following is a schedule of bond maturities by year:

<u>Year Ended June 30,</u>	<u>Lease Revenue Bonds 2002</u>		
	<u>2.50%</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
<b>Totals</b>	<u>\$ 70,000</u>	<u>\$ 6,225</u>	<u>\$ 76,225</u>

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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:

<b>Governmental Activities:</b>	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2017</b>	<b>Amounts Due Within One Year</b>
Lease Revenue Bonds	\$ 81,000	\$ -	\$ (11,000)	\$ 70,000	\$ 11,000
Net Pension Liability	342,268	50,291	-	392,559	-
Total Debt	423,268	50,291	(11,000)	462,559	11,000
Compensated Absences	42,930	13,135	-	56,065	-
<i>Total Governmental Activities</i>	<u>\$ 466,198</u>	<u>\$ 63,426</u>	<u>\$ (11,000)</u>	<u>\$ 518,624</u>	<u>\$ 11,000</u>

<b>Business-type Activities:</b>	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2017</b>	<b>Amounts Due Within One Year</b>
Net Pension Liability	\$ 52,513	\$ 9,036	\$ -	\$ 61,549	\$ -
<i>Total Business-type Activities</i>	<u>\$ 52,513</u>	<u>\$ 9,036</u>	<u>\$ -</u>	<u>\$ 61,549</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](http://www.urs.org).

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9. RETIREMENT SYSTEM (CONTINUED)**

**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%
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.

**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 as of June 30, 2017 are as follows:

**Utah Retirement Systems**

	Employee Paid	Employer Contribution Rates	Employer rate for 401(k) Plan
<b>Contributory System</b>			
11 - Local Government Division Tier 1	6.00%	14.46%	N/A
111 - Local Government Division Tier 2	N/A	14.91%	1.78%
<b>Noncontributory System</b>			
15 - Local Government Division Tier 1	N/A	18.47%	N/A
<b>Tier 2 DC Only</b>			
211 - Local Government	N/A	6.69%	10.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9. RETIREMENT SYSTEM (CONTINUED)**

For fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as follows:

<b>System</b>	<b>Employer Contributions</b>		<b>Employee Contributions</b>
Noncontributory System	\$	97,126	N/A
Tier 2 Public Employees System	\$	35,458	-
Tier 2 DC Only System	\$	5,286	N/A
Total Contributions	\$	137,870	\$ -

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

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

At June 30, 2017 we reported a net pension asset of \$775 and a net pension liability of \$454,108.

(Measurement Date): December 31, 2016

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2016	Change (Decrease)
Noncontributory System	\$ -	\$ 450,934	0.0702255%	0.0697679%	0.0004576%
Tier 2 Public Employees System	\$ 775	\$ 3,174	0.0284525%	0.0333319%	(0.0048791)%
Total Net Pension Asset/Liability	<u>\$ 775</u>	<u>\$ 454,108</u>			

The net pension asset and liability was measure as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2017, we recognized pension expense of \$172,221.

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9. RETIREMENT SYSTEM (CONTINUED)**

At June 30, 2017 we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,795	\$ 14,903
Changes in assumptions	62,962	14,966
Net difference between projected and actual earnings on pension plan investments	101,415	30,091
Changes in proportion and differences between contributions and proportionate share of contributions	23,345	1,137
Contributions subsequent to the measurement date	68,634	-
Total	\$ 266,151	\$ 61,097

\$68,634 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, 2016.

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
2017	\$ 42,174
2018	43,705
2019	49,523
2020	(115)
2021	105
Thereafter	\$ 1,026

**Actuarial assumptions:**

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.35 - 10.35 percent, average, including inflation
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9. RETIREMENT SYSTEM (CONTINUED)**

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:

Asset Class	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	2.60%
		Expected arithmetic nominal return	7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.20 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. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9. RETIREMENT SYSTEM (CONTINUED)**

**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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 934,036	\$ 450,934	\$ 47,811
Tier 2 Public Employees System	\$ 21,604	\$ 3,174	\$ (10,847)
Total	\$ 955,640	\$ 454,108	\$ 36,964

**Pension Plan Fiduciary Net Position:**

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

**Defined Contribution Savings Plans:**

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Midway City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- \*401(k) Plan
- \*457(b) Plan
- \*Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:.

	2017		2016		2015
<b>401(k) Plan</b>					
Employer Contributions	\$ 12,134	\$ 10,891	\$ 18,931		
Employee Contributions	\$ 35,876	\$ 27,619	\$ 23,930		
<b>457 Plan</b>					
Employer Contributions	\$ -	\$ -	\$ -		
Employee Contributions	\$ 13,225	\$ 10,854	\$ 10,353		
<b>Roth IRA Plan</b>					
Employer Contributions	N/A	N/A	N/A		
Employee Contributions	\$ 2,700	\$ 2,900	\$ 625		

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**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, 2017 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, 2017, the following activity occurred in the City's CDRA:

Tax increment collection from other taxing agencies	\$	-
Tax increment paid to other taxing authorities		64,350
Outstanding loans to finance CDRA projects		-
Amounts expended for site improvements and preparation costs		-
Amounts expended for administrative costs		-

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**MIDWAY CITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
<b>Taxes:</b>				
Current Year Property Taxes	\$ 685,000	\$ 708,580	\$ 709,647	\$ 1,067
Fee in Lieu	45,000	43,000	46,440	3,440
Redemptions	20,100	20,200	27,701	7,501
Sales and Use Taxes	607,000	669,490	746,084	76,594
Telecommunication and Franchise Fees	350,000	431,130	461,597	30,467
Transient Room Tax	45,000	101,660	88,416	(13,244)
Resort Tax	425,000	510,000	563,660	53,660
Highway Tax	120,000	145,750	164,264	18,514
	<u>2,297,100</u>	<u>2,629,810</u>	<u>2,807,809</u>	<u>177,999</u>
<b>Licenses and Permits:</b>				
Business Licenses	25,000	28,480	28,530	50
Building Permits	375,000	276,800	300,740	23,940
Plan Check Fees	200,000	171,560	184,873	13,313
Other Licenses	2,300	2,530	2,686	156
	<u>602,300</u>	<u>479,370</u>	<u>516,829</u>	<u>37,459</u>
<b>Intergovernmental:</b>				
Class "C" Road Fund Allotment	150,000	190,000	216,879	26,879
Backnet Grants	66,500	65,000	62,697	(2,303)
Other Intergovernmental	-	-	782	782
	<u>216,500</u>	<u>255,000</u>	<u>280,358</u>	<u>25,358</u>
<b>Charges for Services:</b>				
Sanitation District	55,000	54,000	52,176	(1,824)
Zoning and Related Development Fees	131,000	224,080	311,588	87,508
Burial and Assessments	20,000	33,250	36,450	3,200
	<u>206,000</u>	<u>311,330</u>	<u>400,214</u>	<u>88,884</u>
<b>Other Revenues:</b>				
Interest Earnings	2,000	2,530	2,781	251
Rents	20,000	25,190	26,845	1,655
Bond Forfeiture	4,000	10,000	17,500	7,500
Miscellaneous Revenue	26,500	51,640	37,637	(14,003)
	<u>52,500</u>	<u>89,360</u>	<u>84,763</u>	<u>(4,597)</u>
<b>Total Revenues</b>	<u>\$ 3,374,400</u>	<u>\$ 3,764,870</u>	<u>\$ 4,089,973</u>	<u>\$ 325,103</u>

(continued)

**MIDWAY CITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
Mayor and Council	\$ 76,935	\$ 76,935	\$ 65,881	\$ 11,054
Administrative	337,085	337,085	316,846	20,239
Professional Services	275,535	334,080	303,961	30,119
Nondepartmental	463,786	105,196	85,929	19,267
Buildings	84,387	120,500	108,217	12,283
Planning and Zoning	216,100	216,100	187,745	28,355
Building Safety	243,440	243,440	242,040	1,400
	<u>1,697,268</u>	<u>1,433,336</u>	<u>1,310,619</u>	<u>122,717</u>
<b>Public Safety</b>	<u>284,702</u>	<u>288,420</u>	<u>258,022</u>	<u>30,398</u>
<b>Economic Development</b>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<b>Highways and Public Works</b>	<u>337,788</u>	<u>344,468</u>	<u>304,490</u>	<u>39,978</u>
<b>Parks and Recreation</b>	<u>142,552</u>	<u>252,052</u>	<u>217,762</u>	<u>34,290</u>
<b>Cemetery</b>	<u>79,895</u>	<u>139,895</u>	<u>111,065</u>	<u>28,830</u>
<b>Tourism and Culture</b>	<u>35,390</u>	<u>45,390</u>	<u>36,010</u>	<u>9,380</u>
<b>Total Expenditures</b>	<u>2,602,595</u>	<u>2,528,561</u>	<u>2,262,968</u>	<u>265,593</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	(771,805)	(1,536,309)	(1,529,055)	(7,254)
Appropriations of Fund Balances	-	300,000	-	300,000
<b>Total other financing sources (uses)</b>	<u>(771,805)</u>	<u>(1,236,309)</u>	<u>(1,529,055)</u>	<u>292,746</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>-</u>	<u>-</u>	<u>297,950</u>	<u>297,950</u>
<b>Fund Balances at Beginning of Year</b>	<u>633,385</u>	<u>633,385</u>	<u>633,385</u>	<u>-</u>
<b>Fund Balances at End of Year</b>	<u>\$ 633,385</u>	<u>\$ 633,385</u>	<u>\$ 931,335</u>	<u>\$ 297,950</u>

**MIDWAY CITY**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**UTAH RETIREMENT SYSTEMS**

**JUNE 30, 2017**

**with a measurement date of December 31, 2016**

Last 10 fiscal years\*

		<b>Noncontributory System</b>	<b>Contributory Retirement System</b>	<b>Tier 2 Public Employees System</b>
Proportion of the net pension liability (asset)	2017	0.0702255%	0.0000000%	0.0284528%
	2016	0.0697679%	0.0000000%	0.0333319%
	2015	0.0620119%	0.0000000%	0.0238671%
Proportion share of the net pension liability (asset)	2017 \$	450,934	-	\$ 3,174
	2016 \$	394,781	-	\$ (73)
	2015 \$	269,270	-	\$ (723)
Covered employee payroll	2017 \$	537,851	-	\$ 233,334
	2016 \$	527,001	-	\$ 215,338
	2015 \$	490,929	-	\$ 117,502
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2017	83.8%	0.00%	1.36%
	2016	74.9%	0.00%	-0.03%
	2015	54.8%	0.00%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	2017	87.3%	92.9%	95.1%
	2016	87.8%	0.0%	100.2%
	2015	90.2%	0.0%	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**  
**JUNE 30, 2017**  
**with a measurement date of December 31, 2016**  
Last 10 fiscal years\*

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2014	\$ 82,296	\$ 82,296	\$ -	\$ 475,974	17.29%
	2015	94,169	94,169	-	509,848	18.47%
	2016	100,168	100,168	-	542,328	18.47%
	2017	97,126	97,126	-	525,858	18.47%
Contributory System	2014	\$ 6,853	\$ 6,853	\$ -	\$ 51,608	13.28%
	2015	1,486	1,486	-	10,274	14.46%
	2016	-	-	-	-	0.00%
	2017	-	-	-	-	0.00%
Tier 2 Public Employees System*	2014	\$ 8,560	\$ 8,560	\$ -	\$ 61,188	13.99%
	2015	27,780	27,780	-	185,947	14.94%
	2016	33,887	33,887	-	227,280	14.91%
	2017	35,458	35,458	-	237,812	14.91%
Tier 2 Public Employees DC Only System*	2014	\$ 1,977	\$ 1,977	\$ -	\$ 35,430	5.58%
	2015	2,521	2,521	-	37,509	6.72%
	2016	4,580	4,580	-	68,456	6.69%
	2017	5,286	5,286	-	79,009	6.69%

\*Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems.

Tier 2 systems were created effective July 1, 2011.

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

See accompanying notes to required supplementary information

**MIDWAY CITY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**UTAH RETIREMENT SYSTEMS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2017**

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**Changes in Assumptions:**

The following assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

# **SUPPLEMENTARY INFORMATION**

**MIDWAY CITY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2017**

	<u>MBA</u>	<u>CDRA</u>	<u>Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>				
Cash	\$ -	\$ 10,532	\$ -	\$ 10,532
Restricted Cash	11,298	-	329,493	340,791
<b>Total Assets</b>	<u>\$ 11,298</u>	<u>\$ 10,532</u>	<u>\$ 329,493</u>	<u>\$ 351,323</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
<b>Restricted for:</b>				
Perpetual Care	-	-	329,493	329,493
<b>Assigned:</b>				
MBA Fund	11,298	-	-	11,298
CDRA Fund	-	10,532	-	10,532
<b>Total Fund Balances</b>	<u>11,298</u>	<u>10,532</u>	<u>329,493</u>	<u>351,323</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 11,298</u>	<u>\$ 10,532</u>	<u>\$ 329,493</u>	<u>\$ 351,323</u>

**MIDWAY CITY**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURE, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>MBA</u>	<u>CDRA</u>	<u>Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
Perpetual Care Fees	\$ -	\$ -	\$ -	\$ -
Interest	143	-	-	143
<b>Total Revenues</b>	<b>143</b>	<b>-</b>	<b>-</b>	<b>143</b>
<b>EXPENDITURES</b>				
<b>Current Operating:</b>				
General Government	-	-	-	-
Economic Development	-	64,350	-	64,350
<b>Debt Service:</b>				
Principal	11,000	-	-	11,000
Interest	2,025	-	-	2,025
Other	-	-	-	-
<b>Total Expenditures</b>	<b>13,025</b>	<b>64,350</b>	<b>-</b>	<b>77,375</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(12,882)</b>	<b>(64,350)</b>	<b>-</b>	<b>(77,232)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-In	12,947	64,350	-	77,297
Transfers-Out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>12,947</b>	<b>64,350</b>	<b>-</b>	<b>77,297</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>65</b>	<b>-</b>	<b>-</b>	<b>65</b>
<b>Fund Balances at Beginning of Year</b>	<b>11,233</b>	<b>10,532</b>	<b>329,493</b>	<b>351,258</b>
<b>Fund Balances at End of Year</b>	<b>\$ 11,298</b>	<b>\$ 10,532</b>	<b>\$ 329,493</b>	<b>\$ 351,323</b>

# **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 *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, 2017, and the related notes to the financial statements, which collectively comprise Midway City's basic financial statements, and have issued our report thereon dated December 30, 2017.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

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

### **Purpose of this Report**

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

*Gilbert & Stewart*

GILBERT & STEWART  
Certified Public Accountants  
December 30, 2017



**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  

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

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE***

Honorable Mayor and City Council  
Midway City  
Midway, UT

***Report On Compliance with General State Compliance Requirements***

We have audited Midway City's ("the City") 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 the City for the year ended June 30, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 in the following areas:

Budgetary Compliance  
Fund Balance  
Utah Retirement Systems  
Justice Court  
Restricted Taxes and Related Revenues  
Open and Public Meetings Act  
Treasurer's Bond  
Cash Management  
Impact Fees

***Management's Responsibility***

Management is responsible for compliance with the state requirements referred to above.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the 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 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 for each state compliance requirement referred to above. 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 compliance requirements identified above for the year ended June 30, 2017.

### ***Report on Internal Control over Financial Reporting***

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 an opinion on compliance with 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 the 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 state compliance requirement 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 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 state 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*  
December 30, 2017

**MIDWAY CITY CORPORATION**

**COMMUNICATION WITH THOSE  
CHARGED WITH GOVERNANCE**

**JUNE 30, 2017**



**GILBERT & STEWART**  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

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

Honorable City Council  
Midway City Corporation  
Midway, UT

December 30, 2017

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, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 30, 2017. 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. 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 while performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 30, 2017.

### *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**

No findings

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

Sincerely,

*Gilbert & Stewart*

GILBERT & STEWART  
Certified Public Accountants

# Midway City Corporation

## Mayor

Celeste Johnson

## City Council

Lisa Christen • Jeff Drury  
Bob Probst • JC Simonsen  
Ken Van Wagoner



75 North 100 West  
P.O. Box 277  
Midway, Utah 84049  
Phone: 435-654-3223  
Fax: 435-654-4120  
midwaycityut.org

## Certification of Annual Financial Report

Under penalty of perjury, We, Celeste Johnson and Brad Wilson certify that the annual financial report of Midway City for the year ended 30 June 2017 fairly presents in all material respects the financial condition and results of operation of Midway City.

Signature: \_\_\_\_\_

  
Chief Administrative Officer

Signature: \_\_\_\_\_

  
Chief Financial Officer



## Notes:

- a. This certification is to be submitted with the annual financial report to the Office of the Utah State Auditor.
- b. *Utah Code* 11-50-202 designates the **chief administrative officer** as the individual appointed as the chief administrative officer of the political subdivision in accordance with statute; or if a chief administrative officer is not appointed in accordance with statute, the individual designated as the chief administrative officer by the governing body of the political subdivision. In designating a chief administrative officer, the governing body shall designate the individual who holds a managerial or similar position to perform administrative duties or functions for the political subdivision.
- c. *Utah Code* 11-50-202 designates the **chief financial officer** as the individual appointed as the chief financial officer of the political subdivision in accordance with statute; or if a chief financial officer is not appointed in accordance with statute, the individual designated as the chief financial officer by the governing body of the political subdivision. In designating a chief financial officer, the governing body shall designate the individual who has primary responsibility for preparing the annual financial report.