



**Financial Statements and  
Supplementary Data with  
Independent Auditor's Report  
for the Year Ended  
June 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

Honorable City Council  
Midway City Corporation  
Midway, Utah

January 28, 2014

### Report on the Financial Statements

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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the redevelopment agency special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2014 on our consideration of the Midway City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Midway City's internal control over financial reporting and compliance.

GILBERT & STEWART, CPA, PC

*Gilbert & Stewart*

Certified Public Accountants

**MIDWAY CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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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, 2013. 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, 2013**

City as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Position at June 30, 2013 and 2012 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
<b>ASSETS</b>						
Cash and investments	\$ 5,560,391	\$ 4,528,996	\$ 2,675,754	\$ 1,997,163	\$ 8,236,145	\$ 6,526,159
Other assets	934,283	890,924	2,831,676	2,746,848	3,765,959	3,637,772
Capital assets	11,165,432	11,173,725	28,122,507	28,234,406	39,287,939	39,408,131
Total assets	17,660,106	16,593,645	33,629,937	32,978,417	51,290,043	49,572,062
<b>LIABILITIES</b>						
Current liabilities	470,420	415,614	121,963	664,524	592,383	1,080,138
Noncurrent liabilities	130,859	141,183	-	-	130,859	141,183
Total liabilities	601,279	556,797	121,963	664,524	723,242	1,221,321
Deferred inflows of resources	646,400	580,014	-	-	646,400	580,014
Total liabilities & deferred inflows	1,247,679	1,136,811	121,963	664,524	1,369,642	1,801,335
<b>NET POSITION</b>						
Net investment in capital assets	11,165,432	11,051,725	28,122,507	28,234,406	39,287,939	39,286,131
Restricted	1,556,541	672,690	385,270	601,724	1,941,811	1,274,414
Unrestricted	3,690,454	3,732,419	5,000,197	3,477,763	8,690,651	7,210,182
Total net position	\$16,412,427	\$15,456,834	\$ 3,507,974	\$32,313,893	\$49,920,401	\$47,770,727

During the year ended June 30, 2013 there were some significant events that changed the components of net position. An explanation of these events follows:

Governmental Activities:

- Cash has increased by \$1,031,395 compared to 2012. Most of this increase is in restricted funds as building increased substantially and generated \$255,496 in impact fees and \$166,220 in Class C Road money. Other tax revenues also saw increases.
- The City invested \$504,670 in new capital outlays, while depreciation expense was close to that amount at \$512,961.

**MIDWAY CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

A condensed version of the Statement of Activities follows:

Governmental and Business-Type Activities for the years ended June 30, 2013 and 2012:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	\$ 560,337	\$ 510,985	\$ 1,018,095	\$ 908,607	\$ 1,578,432	\$ 1,419,592
Operating grants	257,854	274,744	-	-	257,854	274,744
Capital grants	255,496	744,003	133,400	50,600	388,896	794,603
General revenues:						
Taxes	2,099,415	2,011,424	-	-	2,099,415	2,011,424
Interest	30,352	25,702	158,655	144,528	189,007	170,230
Transfers & misc.	27,300	(26,401)	465,211	26,401	492,511	-
<b>Total revenues</b>	<b>3,230,754</b>	<b>3,540,457</b>	<b>1,775,361</b>	<b>1,130,136</b>	<b>5,006,115</b>	<b>4,670,593</b>
Expenses:						
General government	974,557	1,115,978	-	-	974,557	1,115,978
Public safety	220,754	209,733	-	-	220,754	209,733
Economic development	107,013	99,516	-	-	107,013	99,516
Highway and public works	649,703	437,517	-	-	649,703	437,517
Parks and recreation	240,521	158,905	-	-	240,521	158,905
Cemetery	82,613	80,502	-	-	82,613	80,502
Water	-	-	531,368	490,990	531,368	490,990
Ice Rink	-	-	49,912	54,339	49,912	54,339
<b>Total expenses</b>	<b>2,275,161</b>	<b>2,102,151</b>	<b>581,280</b>	<b>545,329</b>	<b>2,856,441</b>	<b>2,647,480</b>
Change in net assets	955,593	1,438,306	1,194,081	584,807	2,149,674	2,023,113
Beginning net assets	15,456,834	14,018,528	2,313,893	31,729,086	47,770,727	45,747,614
Ending net assets	<b>\$16,412,427</b>	<b>\$ 15,456,834</b>	<b>\$33,507,974</b>	<b>\$32,313,893</b>	<b>\$49,920,401</b>	<b>\$47,770,727</b>

Governmental activities:

For the year ended June 30, 2013, the total revenues for the governmental activities were \$3,230,754. Program revenues totaled \$1,073,687. The major sources of program revenues are building permits, impact fees, and capital grants. General revenues for the year totaled \$2,157,067. The major sources of general revenues are taxes and interest earnings. Taxes comprise 72% of the City's general fund revenues. Tax revenues increased by \$87,991 compared to the prior year. Grants and contributions decreased by \$505,397 as large one-time federal grants were received in fiscal year 2012.

Business-type activities:

For the year ended June 30, 2013, the total revenues for the business-type activities were \$1,775,361. Program revenues total \$1,151,495. The majority of the revenue is from charges for services of the enterprise funds. The general revenues in the business-type activities consist of \$158,655 in interest and joint venture income. The water fund had operating income of \$486,727 while the ice rink fund had an operating loss of \$49,912.

**MIDWAY CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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 \$322,011 less than was budgeted. All departments and funds maintained expenditures within their appropriations.

Capital Assets

At June 30, 2013 the City had \$39,287,939 invested in capital assets, including park and recreation facilities, buildings, roads, bridges, water lines, and the ice rink facilities. This amount represents a net decrease (additions, deductions, and depreciation) of \$123,690 or 0.3% over last year.

	<b>Capital Assets at Year-end</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,443,772	\$ 3,443,772	\$ -	\$ -	\$ 3,443,772	\$ 3,443,772
Construction in Progress	-	66,692	-	89,820	-	156,512
Water Stock	-	-	20,990,800	20,990,800	20,990,800	20,990,800
Buildings	2,540,665	2,388,219	25,053	25,053	2,565,718	2,413,272
Improvements	1,983,817	1,761,589	-	-	1,983,817	1,761,589
Infrastructure	8,061,902	8,048,187	8,641,693	8,453,592	16,703,595	16,501,779
Machinery & Equipment	1,124,242	949,161	221,984	221,984	1,346,226	1,171,145
Vehicles	104,100	203,056	-	-	104,100	203,056
Ice Rink	-	-	339,016	326,411	339,016	326,411
Subtotal	17,258,498	16,860,676	30,218,546	30,107,660	47,477,044	46,968,336
Accum Depreciation	(6,093,066)	(5,683,453)	(2,096,039)	(1,873,254)	(8,189,105)	(7,556,707)
Capital Assets, Net	<u>\$11,165,432</u>	<u>\$11,177,223</u>	<u>\$28,122,507</u>	<u>\$28,234,406</u>	<u>\$39,287,939</u>	<u>\$39,411,629</u>

The most significant additions to capital assets in the governmental activities were \$107,647 for a salt bin shed, \$66,462 for a 2003 International Bobtail, \$70,000 for a 2006 International Bobtail.

The most significant additions to capital assets in the business-type activities were \$98,281 in water line infrastructure and \$12,605 in ice rink improvements.

**MIDWAY CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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Debt Outstanding

At year-end, the City had \$112,000 in long term liabilities outstanding versus \$122,000 last year, a decrease of \$10,000.

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

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

Financial Contact

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

# **BASIC FINANCIAL STATEMENTS**

**MIDWAY CITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

Assets	Governmental Activities	Business-type Activities	Total
Cash	\$ 4,003,850	\$ 2,199,857	\$ 6,203,707
Restricted Cash	1,556,541	475,897	2,032,438
Accounts Receivable (Net)	4,355	12,971	17,326
Due From Other Governments	924,928	-	924,928
Prepays and Deposits	5,000	-	5,000
Inventory	-	20,000	20,000
Investment in Joint Venture	-	2,798,705	2,798,705
Capital Assets:			
Land	3,443,772	-	3,443,772
Water Stock	-	20,990,800	20,990,800
Buildings	2,540,665	25,053	2,565,718
Improvements	1,983,817	-	1,983,817
Infrastructure	8,061,902	8,641,693	16,703,595
Machinery and Equipment	1,228,342	221,984	1,450,326
Ice Rink	-	339,016	339,016
Less Accumulated Depreciation	(6,093,066)	(2,096,039)	(8,189,105)
Total Capital Assets, Net	<u>11,165,432</u>	<u>28,122,507</u>	<u>39,287,939</u>
<b>Total Assets</b>	<u><b>17,660,106</b></u>	<u><b>33,629,937</b></u>	<u><b>51,290,043</b></u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Accounts Payable	129,296	31,336	160,632
Accrued Liabilities	57,453	-	57,453
Deposits and Bonds	273,671	-	273,671
Irrigation Assessment Payable	-	90,627	90,627
Noncurrent Liabilities:			
Due in Less Than One Year	10,000	-	10,000
Due in More Than One Year	130,859	-	130,859
Total Liabilities	<u>601,279</u>	<u>121,963</u>	<u>723,242</u>
Deferred Inflows of Resources	<u>646,400</u>	<u>-</u>	<u>646,400</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u><b>1,247,679</b></u>	<u><b>121,963</b></u>	<u><b>1,369,642</b></u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	11,165,432	28,122,507	39,287,939
Restricted For:			
Class "C" Roads	299,985	-	299,985
Highway Tax	367,305	-	367,305
Impact Fees	584,381	385,270	969,651
Perpetual Care	304,870	-	304,870
Unrestricted	<u>3,690,454</u>	<u>5,000,197</u>	<u>8,690,651</u>
Total Net Position	<u><b>\$ 16,412,427</b></u>	<u><b>\$ 33,507,974</b></u>	<u><b>\$ 49,920,401</b></u>

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

**MIDWAY CITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$ 974,557	\$ 410,395	\$ 33,293	\$ -
Public Safety	220,754	3,079	58,341	-
Economic Development	107,013	35,405	-	-
Highways and Public Works	649,703	56,322	166,220	154,360
Parks and Recreation	240,521	16,280	-	101,136
Cemetery	82,613	38,856	-	-
<b>Total Governmental Activities</b>	<b>2,275,161</b>	<b>560,337</b>	<b>257,854</b>	<b>255,496</b>
<b>Business-type Activities</b>				
Water	531,368	1,018,095	-	133,400
Ice Rink	49,912	-	-	-
<b>Total Business-type Activities</b>	<b>581,280</b>	<b>1,018,095</b>	<b>-</b>	<b>133,400</b>
<b>Total Government</b>	<b>\$ 2,856,441</b>	<b>\$ 1,578,432</b>	<b>\$ 257,854</b>	<b>388,896</b>

General Revenues:  
 Taxes  
   Property  
   Sales and Use  
   Telecommunication and Franchise  
   Room Tax  
   Resort Tax  
   Highway Tax  
 Interest and Investment Earnings  
 Miscellaneous  
 Transfers  
 Gain on Extinguishment of Debt  
 Total General Revenues and Transfers  
 Change in Net Position  
 Net Position at Beginning of Year  
 Net Position at End of Year

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

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**Changes in Net Position**

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<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (530,869)	\$ -	\$ (530,869)
(159,334)	-	(159,334)
(71,608)	-	(71,608)
(272,801)	-	(272,801)
(123,105)	-	(123,105)
(43,757)	-	(43,757)
<u>(1,201,474)</u>	<u>-</u>	<u>(1,201,474)</u>
-	620,127	620,127
-	(49,912)	(49,912)
-	570,215	570,215
<u>(1,201,474)</u>	<u>570,215</u>	<u>(631,259)</u>
699,217	-	699,217
525,801	-	525,801
323,355	-	323,355
59,349	-	59,349
386,095	-	386,095
105,598	-	105,598
30,352	158,655	189,007
33,592	-	33,592
(6,292)	6,292	-
-	458,919	458,919
<u>2,157,067</u>	<u>623,866</u>	<u>2,780,933</u>
<u>955,593</u>	<u>1,194,081</u>	<u>2,149,674</u>
<u>15,456,834</u>	<u>32,313,893</u>	<u>47,770,727</u>
<u>\$ 16,412,427</u>	<u>\$ 33,507,974</u>	<u>\$ 49,920,401</u>

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**MIDWAY CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2013**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 946,354	\$ 3,025,167	\$ 32,329	\$ 4,003,850
Restricted Cash	-	1,251,671	304,870	1,556,541
Accounts Receivable	4,355	-	-	4,355
Prepays and Deposits	-	5,000	-	5,000
Due From Other Governments	924,928	-	-	924,928
<b>TOTAL ASSETS</b>	<b>\$ 1,875,637</b>	<b>\$ 4,281,838</b>	<b>\$ 337,199</b>	<b>\$ 6,494,674</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 92,856	\$ 27,409	\$ 9,031	\$ 129,296
Accrued Liabilities	57,453	-	-	57,453
Deposits and Bonds	273,671	-	-	273,671
<b>TOTAL LIABILITIES</b>	<b>423,980</b>	<b>27,409</b>	<b>9,031</b>	<b>460,420</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>646,400</b>	<b>-</b>	<b>-</b>	<b>646,400</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>1,070,380</b>	<b>27,409</b>	<b>9,031</b>	<b>1,106,820</b>
<b>FUND BALANCES</b>				
<b>Nonspendable:</b>				
Prepays and Deposits	-	5,000	-	5,000
<b>Restricted for:</b>				
Class C Roads	-	299,985	-	299,985
Highway Tax	-	367,305	-	367,305
Park Impact Fees	-	102,047	-	102,047
Trails Impact Fees	-	87,868	-	87,868
Transportation Impact Fees	-	394,466	-	394,466
Perpetual Care	-	-	304,870	304,870
<b>Committed:</b>				
Park Construction	-	78,637	-	78,637
<b>Assigned:</b>				
Vehicle Replacement	23,725	-	-	23,725
Roads	30,542	-	-	30,542
Capital Projects	-	2,919,121	-	2,919,121
CDRA Fund	-	-	11,233	11,233
MBA Fund	-	-	12,065	12,065
<b>Unassigned</b>	<b>750,990</b>	<b>-</b>	<b>-</b>	<b>750,990</b>
<b>TOTAL FUND BALANCES</b>	<b>805,257</b>	<b>4,254,429</b>	<b>328,168</b>	<b>5,387,854</b>
<b>TOTAL LIABILITIES, DEFERRED OUTFLOWS AND FUND BALANCES</b>	<b>\$ 1,875,637</b>	<b>\$ 4,281,838</b>	<b>\$ 337,199</b>	<b>\$ 6,494,674</b>

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, 2013**

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

Total fund balances--total governmental funds	\$ 5,387,854
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund financial statements.	11,165,432
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements. Those liabilities consist of:	
MBA Lease Revenue Bonds	(112,000)
Compensated Absences	<u>(28,859)</u>
Net position of governmental activities	<u><u>\$ 16,412,427</u></u>

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

**MIDWAY CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 2,130,312	\$ -	\$ -	\$ 2,130,312
Licenses and Permits	413,474	-	-	413,474
Intergovernmental	257,854	-	-	257,854
Charges for services	80,236	-	20,188	100,424
Other Revenues	89,296	19,575	1,512	110,383
Impact Fees	-	255,496	-	255,496
<b>Total Revenues</b>	<u>2,971,172</u>	<u>275,071</u>	<u>21,700</u>	<u>3,267,943</u>
<b>EXPENDITURES</b>				
<b>Current Operating:</b>				
General Government	872,765	16,253	-	889,018
Public Safety	216,784	-	-	216,784
Economic Development	25,000	-	82,013	107,013
Highways and Public Works	230,388	35,046	-	265,434
Parks and Recreation	160,510	23,479	-	183,989
Cemetery	77,036	-	-	77,036
Tourism and Culture	20,200	-	-	20,200
<b>Debt Service:</b>				
Principal	-	-	10,000	10,000
Interest	-	-	3,050	3,050
<b>Capital Outlay</b>				
General Government	8,238	38,250	-	46,488
Highways and Public Works	153,130	121,362	-	274,492
Parks and Recreation	-	183,690	-	183,690
<b>Total Expenditures</b>	<u>1,764,051</u>	<u>418,080</u>	<u>95,063</u>	<u>2,277,194</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>1,207,121</u>	<u>(143,009)</u>	<u>(73,363)</u>	<u>990,749</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-In	-	725,854	95,063	820,917
Transfers-Out	(827,209)	-	-	(827,209)
<b>Total Other Financing Sources (Uses)</b>	<u>(827,209)</u>	<u>725,854</u>	<u>95,063</u>	<u>(6,292)</u>
<b>Net Change in Fund Balances</b>	<u>379,912</u>	<u>582,845</u>	<u>21,700</u>	<u>984,457</u>
<b>Fund Balances at Beginning of Year</b>	<u>425,345</u>	<u>3,671,584</u>	<u>306,468</u>	<u>4,403,397</u>
<b>Fund Balances at End of Year</b>	<u>\$ 805,257</u>	<u>\$ 4,254,429</u>	<u>\$ 328,168</u>	<u>\$ 5,387,854</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, 2013**

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Net change in fund balance, total governmental funds		\$ 984,457
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital Outlays	504,670	
Depreciation Expense	<u>(512,961)</u>	(8,291)
<p>Revenues reported in the Statement of Activities in the prior year but not in the fund statements because they did not meet the criteria for being available in the fund statements for revenue recognition.</p>		
		(30,897)
<p>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:</p>		
Payment on Bonds Payable		10,000
Net change of Compensated Absences		<u>324</u>
Change in net position of governmental activities		<u>\$ 955,593</u>

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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, 2013**

	<u>Water</u>	<u>Ice Rink</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	\$ 2,173,313	\$ 26,544	\$ 2,199,857
Accounts Receivable (Net)	12,971	-	12,971
Inventory	20,000	-	20,000
<b>Total Current Assets</b>	<b>2,206,284</b>	<b>26,544</b>	<b>2,232,828</b>
<b>Noncurrent Assets:</b>			
Restricted Cash	475,897	-	475,897
Investment in Joint Venture	2,798,705	-	2,798,705
<b>Capital Assets:</b>			
Water Stock	20,990,800	-	20,990,800
Water Distribution System	8,641,693	-	8,641,693
Buildings	-	25,053	25,053
Machinery and Equipment	157,504	64,480	221,984
Ice Sheet	-	339,016	339,016
Less Accumulated Depreciation	(1,973,086)	(122,953)	(2,096,039)
<b>Total Capital Assets, Net</b>	<b>27,816,911</b>	<b>305,596</b>	<b>28,122,507</b>
<b>Total Noncurrent Assets</b>	<b>31,091,513</b>	<b>305,596</b>	<b>31,397,109</b>
<b>Total Assets</b>	<b>\$ 33,297,797</b>	<b>\$ 332,140</b>	<b>\$ 33,629,937</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 23,320	\$ 8,016	\$ 31,336
Irrigation Assessment Payable	90,627	-	90,627
<b>Total Current Liabilities</b>	<b>113,947</b>	<b>8,016</b>	<b>121,963</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	27,816,911	305,596	28,122,507
Restricted for Impact Fees	385,270	-	385,270
Unrestricted	4,981,669	18,528	5,000,197
<b>Total Net Position</b>	<b>33,183,850</b>	<b>324,124</b>	<b>33,507,974</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 33,297,797</b>	<b>\$ 332,140</b>	<b>\$ 33,629,937</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, 2013**

	<u>Water</u>	<u>Ice Rink</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for Services	\$ 963,692	\$ -	\$ 963,692
Connection Fees	54,403	-	54,403
<b>Total Operating Revenues</b>	<u>1,018,095</u>	<u>-</u>	<u>1,018,095</u>
<b>Operating Expenses:</b>			
Salaries and Benefits	149,459	7,560	157,019
Maintenance and Supplies	93,686	16,751	110,437
Professional and Technical	26,615	-	26,615
Utilities	24,128	2,840	26,968
Depreciation	210,024	12,761	222,785
Contracted Services	15,868	10,000	25,868
Other	11,588	-	11,588
<b>Total Operating Expenses</b>	<u>531,368</u>	<u>49,912</u>	<u>581,280</u>
<b>Operating Income (Loss)</b>	<u>486,727</u>	<u>(49,912)</u>	<u>436,815</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest Revenue	15,275	-	15,275
Joint Venture Income (Loss)	143,380	-	143,380
Impact Fees	133,400	-	133,400
Gain on Extinguishment of Debt	458,919	-	458,919
<b>Total Nonoperating Revenues (Expenses)</b>	<u>750,974</u>	<u>-</u>	<u>750,974</u>
<b>Net Income (Loss) Before Contributions</b>	<u>1,237,701</u>	<u>(49,912)</u>	<u>1,187,789</u>
Capital Contributions	-	-	-
Transfers In (Out)	(42,494)	48,786	6,292
<b>Change in Net Position</b>	<u>1,195,207</u>	<u>(1,126)</u>	<u>1,194,081</u>
<b>Total Net Position - Beginning</b>	<u>31,988,643</u>	<u>325,250</u>	<u>32,313,893</u>
<b>Total Net Position - Ending</b>	<u>\$ 33,183,850</u>	<u>\$ 324,124</u>	<u>\$ 33,507,974</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, 2013**

	<u>Water</u>	<u>Ice Rink</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Cash Received From Customers	\$ 1,020,198	\$ -	\$ 1,020,198
Cash Paid to Suppliers	(233,706)	(21,785)	(255,491)
Cash Paid to Employees	(149,459)	(7,560)	(157,019)
Net Cash Provided (Used) by Operating Activities	<u>637,033</u>	<u>(29,345)</u>	<u>607,688</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers In/Out	(42,494)	48,786	6,292
Net Receipts/Disbursements on Irrigation Assessments	35,719	-	35,719
Net Cash Paid on Extinguishment of Debt	(62,485)	-	(62,485)
Net Cash Used in Noncapital Financing Activities	<u>(69,260)</u>	<u>48,786</u>	<u>(20,474)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and Construction of Capital Assets	(98,281)	(12,605)	(110,886)
Impact Fees Collected	133,400	-	133,400
Net Cash in Capital and Related Financing Activities	<u>35,119</u>	<u>(12,605)</u>	<u>22,514</u>
<b>Cash Flows from Investing Activities</b>			
Interest on Investments	15,275	-	15,275
Dividends from Joint Venture	53,588	-	53,588
Net Cash Provided by Investing Activities	<u>68,863</u>	<u>-</u>	<u>68,863</u>
<b>Net Increase (Decrease) in Cash</b>	<b>671,755</b>	<b>6,836</b>	<b>678,591</b>
<b>Cash - July 1</b>	<u>1,977,455</u>	<u>19,708</u>	<u>1,997,163</u>
<b>Cash - June 30</b>	<u>\$ 2,649,210</u>	<u>\$ 26,544</u>	<u>\$ 2,675,754</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ 486,727	\$ (49,912)	\$ 436,815
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	210,024	12,761	222,785
Changes in Assets and Liabilities:			
Accounts Receivable	8,963	-	8,963
Inventory	(4,000)	-	(4,000)
Accounts Payable	(57,821)	7,806	(50,015)
Customer Deposits	(6,860)	-	(6,860)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 637,033</u>	<u>\$ (29,345)</u>	<u>\$ 607,688</u>

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

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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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, 2013**

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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, 2013**

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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, 2013**

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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.

Restricted Assets

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

Interfund Receivables and Payables

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

Receivables and Payables

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

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

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

*Fund Financial Statements*

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

Compensated Absences

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

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

Long-term Liabilities

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

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

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

Deferred Inflows of Resources

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

Equity Classifications

*Government-wide Statements*

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

- a. Net investment in capital assets– Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

Equity Classifications (continued)

*Fund Statements*

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

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

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

**G.      Revenues and Expenditures**

Interfund Transactions

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

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

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**G.      Revenues and Expenditures (continued)**

Property Tax

Real property taxes are collected by the County Treasurer and remitted to the City after collection. Taxes are due and payable on November 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.

**H.      Implementation of New Accounting Pronouncements**

Beginning in 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*. This statement provided guidance on the presentation of deferred outflows and inflows of resources. GASB No. 63 also changes the name of the first statement from "Statement of Net Assets" to "Statement of Net Position." It also changes the name of equity from "Net Assets" to "Net Position."

The City also implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes guidance from the classification of items that were previously reported as assets or liabilities that would now be classified as deferred outflows and inflows of resources

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budget Information**

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

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

1. On or before May 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, 2013**

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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, 2013, none of the City's bank balances of \$228,059 was uninsured or uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivision of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares.

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

As of June 30, 2013, the City had the following investments and maturities:

	Carrying Amount	Market Value
Investments not subject to categorizations:		
Utah Public Treasurer's Investment Fund	\$ 8,072,760	\$ 8,113,299

The GASB Fair Value factor at June 30, 2013 was 1.00502171

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

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

*Concentration of credit risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The City’s investment in the Utah Public Treasurer’s Investment Fund has no concentration of credit risk.

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

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

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

Components of cash and investments (including interest earning deposits) at June 30, 2013, are as follows:

Cash on hand and on deposit:	
Cash on deposit	\$ 163,444
Petty cash	240
PTIF investment	<u>8,072,461</u>
Total cash and investments	<u>\$ 8,236,145</u>

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

Cash	\$ 6,203,707
Restricted Cash	<u>2,032,438</u>
Total cash and investments	<u>\$ 8,236,145</u>

**NOTE 3. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS**

Accounts receivable for the City, including the applicable allowance for uncollectible accounts at June 30, 2013, are as follows:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>
Receivables:			
Individual accounts	\$ 4,355	\$ 17,502	\$ 21,857
Sales tax	92,390	-	92,390
Highway tax	18,201	-	18,201
Resort tax	66,558	-	66,558
Room tax	11,364	-	11,364
Telecommunication tax	9,077	-	9,077
Energy sales tax	866	-	866
Franchise tax	14,979	-	14,979
Property taxes - current	16,084	-	16,084
Property taxes - unavailable	646,400	-	646,400
Class C Roads	35,596	-	35,596
Grant receivables	<u>13,413</u>	<u>-</u>	<u>13,413</u>
	929,283	17,502	946,785
Less: Allowance for uncollectibles	<u>-</u>	<u>(4,531)</u>	<u>(4,531)</u>
Net total receivables	<u>\$ 929,283</u>	<u>\$ 12,971</u>	<u>\$ 942,254</u>

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4. INVESTMENT IN JOINT VENTURE**

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

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

	Joint Ventures	Midway City's Portion
Assets	\$ 35,599,082	\$ 4,449,885
Liabilities	<u>12,855,742</u>	<u>1,606,968</u>
Net Position	<u>\$ 22,743,340</u>	<u>\$ 2,842,918</u>
Operating Revenues	\$ 13,136,543	\$ 1,642,068
Cost of Sales	<u>6,002,876</u>	<u>750,360</u>
Gross Profit	7,133,667	891,708
Operating Expenses	<u>6,338,454</u>	<u>792,307</u>
Income from Operations	795,213	99,402
Nonoperating Income (Expense)	<u>(535,105)</u>	<u>(66,888)</u>
Net Income (Loss)	260,108	32,514
Add: Contributed Capital	961,928	120,241
Beginning Net Position	21,821,304	2,727,663
Less: Distributions to Owners	<u>(300,000)</u>	<u>(37,500)</u>
Ending Net Position	<u>\$ 22,743,340</u>	<u>\$ 2,842,918</u>
Reconciliation to Statement of Net Position		
Balance at December 31, 2012		\$ 2,842,918
Less: Withdrawals between December 31st and June 30th		<u>(44,213)</u>
Balance at June 30, 2013		<u>\$ 2,798,705</u>

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 5. CAPITAL ASSETS**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 3,443,772	\$ -	\$ -	\$ 3,443,772
Construction in Progress	66,692	-	(66,692)	-
Total capital assets, not being depreciated	3,510,464	-	(66,692)	3,443,772
Capital assets, being depreciated				
Buildings	2,388,219	152,446	-	2,540,665
Improvements - nonbuilding	1,761,589	222,228	-	1,983,817
Infrastructure	8,048,187	13,715	-	8,061,902
Machinery & Equipment	949,161	182,973	(7,892)	1,124,242
Vehicles	203,056	-	(98,956)	104,100
Total capital assets, being depreciated	13,350,212	571,362	(106,848)	13,814,726
Accumulated Depreciation for:				
Buildings	(415,003)	(62,844)	-	(477,847)
Improvements - nonbuilding	(376,534)	(101,471)	-	(478,005)
Infrastructure	(3,831,541)	(274,030)	-	(4,105,571)
Machinery & Equipment	(860,818)	(74,616)	7,892	(927,542)
Vehicles	(203,056)	-	98,956	(104,100)
Total accumulated depreciation	(5,686,952)	(512,961)	7,892	(6,093,065)
Total capital assets, being depreciated, net	7,663,260	58,401	(98,956)	7,721,661
Governmental activities capital assets, net	\$ 11,173,724	\$ 58,401	\$ (165,648)	\$ 11,165,433

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

**Governmental Activities:**

General Government	\$ 85,863
Public Safety	3,970
Economic Development	-
Highways and Public Works	384,269
Parks and Recreation	36,332
Cemetery	2,527
Total Depreciation Expense	\$ 512,961

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 5. CAPITAL ASSETS (CONTINUED)**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Water Stock	\$ 20,990,800	\$ -	\$ -	\$ 20,990,800
Construction in Progress	89,820	-	(89,820)	-
Total capital assets, not being depreciated	<u>21,080,620</u>	<u>-</u>	<u>(89,820)</u>	<u>20,990,800</u>
Capital assets, being depreciated				
Buildings	25,053	-	-	25,053
Water Distribution System	8,453,592	188,101	-	8,641,693
Machinery & Equipment	221,984	-	-	221,984
Ice Rink	326,411	12,605	-	339,016
Total capital assets, being depreciated	<u>9,027,040</u>	<u>200,706</u>	<u>-</u>	<u>9,227,746</u>
Accumulated Depreciation for:				
Buildings	(4,498)	(644)	-	(5,142)
Water Distribution System	(1,645,482)	(198,829)	-	(1,844,311)
Machinery & Equipment	(154,231)	(14,863)	-	(169,094)
Ice Rink	(69,043)	(8,449)	-	(77,492)
Total accumulated depreciation	<u>(1,873,254)</u>	<u>(222,785)</u>	<u>-</u>	<u>(2,096,039)</u>
Total capital assets, being depreciated, net	<u>7,153,786</u>	<u>(22,079)</u>	<u>-</u>	<u>7,131,707</u>
Business-type activities capital assets, net	<u>\$ 28,234,406</u>	<u>\$ (22,079)</u>	<u>\$ (89,820)</u>	<u>\$ 28,122,507</u>

Depreciation Expense was charged to the proprietary funds as follows:

**Business-type Activities:**

Water Fund	\$ 210,024
Ice Rink Fund	<u>12,761</u>
Total Depreciation Expense	<u>\$ 222,785</u>

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 5. INTERFUND TRANSFERS**

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

<u>Transfers In:</u>	<u>Transfers Out</u>		
	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Capital Projects</b>	\$ 683,360	\$ 42,494	\$ 725,854
<b>MBA Fund</b>	13,050	-	13,050
<b>CDRA Fund</b>	82,013	-	82,013
<b>Ice Rink</b>	48,786	-	48,786
<b>Totals</b>	<u>\$ 827,209</u>	<u>\$ 42,494</u>	<u>\$ 869,703</u>

**NOTE 6. LONG TERM LIABILITIES**

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

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

The following is a schedule of bond maturities by year:

<u>Year Ended</u> <u>June 30,</u>	<u>Lease Revenue Bonds 2002</u>		
	<u>2.50%</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 10,000	\$ 2,800	\$ 12,800
2015	10,000	2,550	12,550
2016	11,000	2,300	13,300
2017	11,000	2,025	13,025
2018	11,000	1,750	12,750
2019	11,000	1,475	12,475
2020	12,000	1,200	13,200
2021	12,000	900	12,900
2022	12,000	600	12,600
2023	12,000	300	12,300
<b>Totals</b>	<u>\$ 112,000</u>	<u>\$ 15,900</u>	<u>\$ 127,900</u>

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 6. LONG TERM LIABILITIES (CONTINUED)**

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

<b>Governmental Activities:</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2013</b>	<b>Amounts Due Within One Year</b>
Lease Revenue Bonds	\$ 122,000	\$ -	\$ (10,000)	\$ 112,000	\$ 10,000
Total Debt	122,000	-	(10,000)	112,000	10,000
Compensated Absences	29,183	-	(324)	28,859	-
<i>Total Governmental Activities</i>	<u>\$ 151,183</u>	<u>\$ -</u>	<u>\$ (10,324)</u>	<u>\$ 140,859</u>	<u>\$ 10,000</u>

**NOTE 7. RETIREMENT SYSTEM**

Plan Description - Midway City Corporation contributes to the Local Government Noncontributing Retirement System, which is for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information of the Local Governmental Contributory Retirement System and Local Government Noncontributory Retirement System. The Utah State Retirement Systems is on a calendar year which ends December 31. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Noncontributory Retirement System**

Funding Policy - Plan members in Local Government Noncontributory Retirement System members are required to contribute 0.0% of their annual covered salary (all or part may be paid by the employer for the employee) and Midway City Corporation is required to contribute 16.040 % of their annual covered salary from July 2012 through June 2013. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. Contributions made by the City were equal to the required contributions for each year and were paid by the due dates or within 30 days thereafter. The Utah State Retirement Board does not segregate the assets and vested benefits of the individual plans by unit within the system. Therefore, it is not possible to determine the portion of the assets and vested benefits or unfunded liabilities of the plans that are applicable to Midway City Corporation.

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 7. RETIREMENT SYSTEM (CONTINUED)**

**Contributory Retirement System**

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

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

	Ended June 30	Employee contribution	Employee contribution paid by employer	Employer contribution	Salary subject to retirement contributions
<b>Contributory System:</b>					
Local Gov Division Tier 1 & 2	2013	\$ 983	\$ 1,980	\$ 10,671	\$ 104,646
	2012	915	1,844	6,960	78,555
	2011	913	1,839	4,293	42,419
<b>Noncontributory System:</b>					
Local Gov Division Tier 1	2013	\$ -	\$ -	\$ 75,697	\$ 451,182
	2012	-	-	57,861	420,192
	2011	-	-	54,429	382,201
<b>Defined Contribution System:</b>					
457 Plan	2013	\$ 7,463	\$ -		
	2012	7,298	-		
	2011	8,261	-		
401(k) Plan	2013	\$ 20,904	\$ 3,329		
	2012	20,896	785		
	2011	24,444	-		

	Employee contribution	Employee contribution paid by employer	Employer contribution
<b><u>Contributory System:</u></b>			
Local Governmental Division Tier 1	1.99%	4.01%	12.03%
Local Governmental Division Tier 2	N/A	N/A	12.74%
<b><u>Noncontributory System:</u></b>			
Local Governmental Division Tier 1	N/A	N/A	16.04%

**MIDWAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 8. RISK MANAGEMENT**

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

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

**NOTE 9. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

For the year ended June 30, 2013, all of the general fund departments and other funds maintained expenditures within their appropriated amounts.

**NOTE 10. COMMUNITY DEVELOPMENT AND RENEWAL AGENCY**

The Midway City Community Development and Renewal Agency (CDRA) was established to further public purposes in the development and renewal of certain city areas. For the year ended June 30, 2013, the following activity occurred in the City's CDRA:

Tax increment collection from other taxing agencies	\$ 82,013
Tax increment paid to other taxing authorities	82,013
Outstanding loans to finance CDRA projects	-
Amounts expended for site improvements and preparation costs	-
Amounts expended for administrative costs	-

**NOTE 11. SUBSEQUENT EVENTS**

In preparing these financial statements the City has evaluated events and transactions for potential recognition or disclosure through January 28, 2014, the date the financial statements were available to be issued.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**MIDWAY CITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
<b>Taxes:</b>				
Current Year Property Taxes	\$ 590,000	\$ 588,000	\$ 615,653	\$ 27,653
Fee in Lieu	40,000	40,000	38,534	(1,466)
Redemptions	39,800	75,200	75,927	727
Sales and Use Taxes	440,000	490,000	525,801	35,801
Telecommunication and Franchise Fees	330,000	350,000	323,355	(26,645)
Transient Room Tax	50,000	52,500	59,349	6,849
Resort Tax	325,000	356,000	386,095	30,095
Highway Tax	87,000	97,000	105,598	8,598
	<u>1,901,800</u>	<u>2,048,700</u>	<u>2,130,312</u>	<u>81,612</u>
<b>Licenses and Permits:</b>				
Business Licenses	18,000	21,000	22,598	1,598
Building Permits	124,850	244,000	227,195	(16,805)
Plan Check Fees	-	145,500	160,602	15,102
Other Licenses	1,200	2,800	3,079	279
	<u>144,050</u>	<u>413,300</u>	<u>413,474</u>	<u>174</u>
<b>Intergovernmental:</b>				
Class "C" Road Fund Allotment	150,000	150,000	166,220	16,220
Backnet Grants	75,000	75,000	58,341	(16,659)
Other Intergovernmental	84,650	41,431	33,293	(8,138)
	<u>309,650</u>	<u>266,431</u>	<u>257,854</u>	<u>(8,577)</u>
<b>Charges for Services:</b>				
Sanitation District	20,300	24,000	26,163	2,163
Zoning and Related Development Fees	22,000	12,740	35,405	22,665
Burial and Assessments	14,500	18,000	18,668	668
	<u>56,800</u>	<u>54,740</u>	<u>80,236</u>	<u>25,496</u>
<b>Other Revenues:</b>				
Interest Earnings	5,000	9,000	9,265	265
Rents	7,800	12,000	16,280	4,280
Bond Forfeiture	-	-	30,159	30,159
Miscellaneous Revenue	26,200	38,200	33,592	(4,608)
	<u>39,000</u>	<u>59,200</u>	<u>89,296</u>	<u>30,096</u>
<b>Total Revenues</b>	<u>\$ 2,451,300</u>	<u>\$ 2,842,371</u>	<u>\$ 2,971,172</u>	<u>\$ 128,801</u>

(continued)

**MIDWAY CITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Expenditures:</b>				
<b>General Government:</b>				
Mayor and Council	\$ 59,958	\$ 66,250	\$ 57,565	\$ 8,685
Administrative	286,690	302,190	256,066	46,124
Professional Services	169,753	206,200	159,149	47,051
Nondepartmental	287,118	62,740	44,621	18,119
Buildings	62,700	102,900	85,576	17,324
Planning and Zoning	164,550	178,734	162,126	16,608
Building Safety	109,154	140,018	115,900	24,118
	<u>1,139,923</u>	<u>1,059,032</u>	<u>881,003</u>	<u>178,029</u>
Public Safety	<u>217,407</u>	<u>255,300</u>	<u>216,784</u>	<u>38,516</u>
Economic Development	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Highways and Public Works	<u>343,883</u>	<u>450,260</u>	<u>383,518</u>	<u>66,742</u>
Parks and Recreation	<u>70,700</u>	<u>179,600</u>	<u>160,510</u>	<u>19,090</u>
Cemetery	<u>43,490</u>	<u>90,890</u>	<u>77,036</u>	<u>13,854</u>
Tourism and Culture	<u>23,300</u>	<u>25,980</u>	<u>20,200</u>	<u>5,780</u>
Total Expenditures	<u>1,863,703</u>	<u>2,086,062</u>	<u>1,764,051</u>	<u>322,011</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	(478,200)	(827,209)	(827,209)	-
Appropriations of Fund Balances	(109,397)	70,900	-	70,900
Total other financing sources (uses)	<u>(587,597)</u>	<u>(756,309)</u>	<u>(827,209)</u>	<u>70,900</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>379,912</u>	<u>379,912</u>
Fund Balances at Beginning of Year	<u>425,345</u>	<u>425,345</u>	<u>425,345</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 425,345</u>	<u>\$ 425,345</u>	<u>\$ 805,257</u>	<u>\$ 379,912</u>

# **SUPPLEMENTARY INFORMATION**

**MIDWAY CITY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2013**

	<u>MBA</u>	<u>CDRA</u>	<u>Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>				
Cash	\$ 11,233	\$ 21,096	\$ -	\$ 32,329
Restricted Cash	-	-	304,870	304,870
<b>Total Assets</b>	<u>\$ 11,233</u>	<u>\$ 21,096</u>	<u>\$ 304,870</u>	<u>\$ 337,199</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ 9,031	\$ -	\$ 9,031
<b>Total Liabilities</b>	<u>-</u>	<u>9,031</u>	<u>-</u>	<u>9,031</u>
<b>Fund Balances</b>				
<b>Restricted for:</b>				
Perpetual Care	-	-	304,870	304,870
<b>Assigned:</b>				
MBA Fund	11,233	-	-	11,233
CDRA Fund	-	12,065	-	12,065
<b>Total Fund Balances</b>	<u>11,233</u>	<u>12,065</u>	<u>304,870</u>	<u>328,168</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 11,233</u>	<u>\$ 21,096</u>	<u>\$ 304,870</u>	<u>\$ 337,199</u>

**MIDWAY CITY**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURE, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>MBA</u>	<u>CDRA</u>	<u>Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
Perpetual Care Fees	\$ -	\$ -	\$ 20,188	\$ 20,188
Interest	-	-	1,512	1,512
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>21,700</b>	<b>21,700</b>
<b>EXPENDITURES</b>				
<b>Current Operating:</b>				
General Government	-	-	-	-
Economic Development	-	82,013	-	82,013
<b>Debt Service:</b>				
Principal	10,000	-	-	10,000
Interest	3,050	-	-	3,050
<b>Total Expenditures</b>	<b>13,050</b>	<b>82,013</b>	<b>-</b>	<b>95,063</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(13,050)</b>	<b>(82,013)</b>	<b>21,700</b>	<b>(73,363)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-In	13,050	82,013	-	95,063
Transfers-Out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>13,050</b>	<b>82,013</b>	<b>-</b>	<b>95,063</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>-</b>	<b>-</b>	<b>21,700</b>	<b>21,700</b>
<b>Fund Balances at Beginning of Year</b>	<b>11,233</b>	<b>12,065</b>	<b>283,170</b>	<b>306,468</b>
<b>Fund Balances at End of Year</b>	<b>\$ 11,233</b>	<b>\$ 12,065</b>	<b>\$ 304,870</b>	<b>\$ 328,168</b>

# **AUDITORS' REPORTS**



# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

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

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable City Council  
Midway City Corporation  
Midway, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of American 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Midway City, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Midway City's basic financial statements, and have issued our report thereon dated January 28, 2014.

### Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midway City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Gilbert & Stewart*

GILBERT & STEWART  
Certified Public Accountants  
January 28, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
 AND ON INTERNAL CONTROLS OVER COMPLIANCE  
 IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

Honorable City Council  
 Midway City Corporation  
 Midway, Utah

**REPORT ON COMPLIANCE**

We have audited Midway City's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

The general compliance requirements applicable to the City are identified as follows:

- Cash Management
- Budgetary Compliance
- Fund Balance
- Justice Courts
- Impact Fees
- Utah Retirement System Compliance
- Transfers from Utility Enterprise Funds
- Government Records Access Management Act
- Conflicts of Interest
- Nepotism
- Utah Public Finance Website
- Open & Public Meetings Act
- State Loans and Grants

The City did not receive any major assistance programs from the State of Utah during the year ended June 30, 2013.

**Management's Responsibility**

Compliance with the requirements referred to above is the responsibility of the City's management.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the City's compliance with those requirements based on our audit.

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 of Utah legal Compliance Audit Guide*. Those standards and the *State of Utah Legal 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 material effect on the City and its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

## ***Opinion***

In our opinion, Midway City complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2013.

## ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

## ***Purpose of Report***

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

***Gilbert & Stewart***

GILBERT & STEWART  
*Certified Public Accountants*  
January 28, 2014

**MIDWAY CITY CORPORATION**

**COMMUNICATION WITH THOSE  
CHARGED WITH GOVERNANCE**

**JUNE 30, 2013**



# GILBERT & STEWART

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JAMES E. STEWART, CPA

Honorable City Council  
Midway City Corporation  
Midway, UT

January 28 2014

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midway City Corporation for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 12, 2013. 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. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. As described in Note 1 part H. to the financial statements, Midway City changed accounting policies related to financial reporting of deferred outflows and inflows of resources, and net position by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Positions* and Statement no. 65 *Items Previously Reported as Assets and Liabilities*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the financial statement. All significant transactions have been recognized in the financial statements in the proper period.

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

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

The financial statement disclosures are neutral, consistent and clear.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

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

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

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 28, 2014.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

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