



**FINANCIAL REPORT
YEAR ENDED
JUNE 30, 2011**

MIDWAY CITY CORPORATION

**COMMUNICATION WITH THOSE
CHARGED WITH GOVERNANCE**

JUNE 30, 2011



GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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Honorable City Council
Midway City Corporation
Midway, UT

December 14, 2011

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, 2011. 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 July 21, 2011. 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 11 to the financial statements, Midway City changed accounting policies related to Fund Balance descriptions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in June 30, 2011. 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.

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.

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 14, 2011.

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.

The following matters are items noticed during our audit which related to Utah State compliance issues:

Utah State Legal Compliance Findings – Current Year:

No Findings Noted:

Utah State Legal Compliance Findings – Prior Year:

10-1 General Compliance - Budgetary Compliance

Finding: Utah State law prohibits the City from incurring expenditures in excess of those budgeted. We noted the City had expenditures in excess of appropriations as follows:

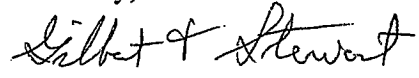
<u>General Fund</u>	
Public Safety	\$9,338

Recommendation: We recommend that the City make the necessary budget amendments to be in compliance with State Law.

Current Status: The City is in compliance with State law.

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
Certified Public Accountants

MIDWAY CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2011

Midway City Corporation

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INDEPENDENT AUDITOR'S REPORT

Honorable City Council
Midway City Corporation
Midway, UT

December 14, 2011

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 the Midway City Corporation as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Midway City Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

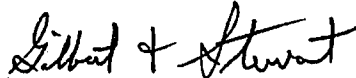
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Midway City Corporation as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the Midway City Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 34, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Midway City Corporation's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


GILBERT & STEWART
Certified Public Accountants

MIDWAY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2011

Introduction

The following is an overview and analysis of Midway City's financial statements for the fiscal year ending June 30, 2011.

Financial Highlights

The total assets of the City less liabilities (net assets) increased \$758,774 to \$45,747,612. This increase included \$653,799 in the General, Municipal Building Authority, Capital Projects, CDRA and Perpetual Care Funds (government net assets) and a \$104,975 increase in the Water and Ice Rink Funds (business-type net assets).

Total net assets are comprised of \$38,326,254 in capital net assets, \$580,176 in impact fees, \$319,457 in roads, and \$6,521,725 in other net assets.

Overall, revenue increased from the prior year because of increased federal grants to fund various projects.

Overview of the Financial Statements

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the Basic Financial Statements, this report also contains other supplementary information concerning budgetary comparisons.

Government-wide Statements - Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities comprise the government-wide financial statements. These statements provide a broad overview with a long-term focus of the City's finances as a whole and are prepared using the full-accrual basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the City's net assets - the difference between total assets and total liabilities - and how they have changed from the prior year. Over time, increases and decreases in net assets measure whether the City's overall financial condition is getting better or worse. In evaluating the government's overall condition, however, additional non-financial factors should be considered such as the City's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure.

The government-wide statements distinguish the programs of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). Midway City's governmental activities include general government, parks and recreation, public safety, highways and public works, and interest on long-term debt. The City has two business-type activities which are related to the operations and maintenance of the City's water system and ice rink.

Fund Financial Statements - Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about individual major funds, and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types, each of which uses a different accounting approach:

MIDWAY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2011

Governmental Funds – The majority of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the City's financial position helps determine whether the city has sufficient resources to cover expenditures for its basic services in the near future. These funds include the General, Capital Projects, Municipal Building Authority, CDRA and Perpetual Cemetery Funds.

Proprietary Funds – The City uses *Enterprise Funds* to report the same functions presented as *business-type activities* in the government-wide financial statements. The City has two enterprise funds which include the Water and Ice Rink Funds.

Reconciliation between Government-wide and Fund Statements

The financial statements include schedules that reconcile the amounts reported for governmental activities on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual accounting, short-term focus). Following are some of the major differences between the two statements:

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Long-term debt proceeds result in liabilities on the government-wide statements but are other financing sources on the governmental fund statements.

Notes to the Financial Statements

The notes provide additional schedules and information that are essential for a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information

Midway City adopts an annual budget for its governmental funds as well as its proprietary funds. A budgetary comparison schedule for the City's General fund is included.

Financial Analysis of the City as a Whole

Net Assets

83.8 percent of the City's net assets reflect investments in capital assets (land, buildings, improvements, infrastructure, construction in progress, and equipment) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

Net assets of governmental activities increased \$653,799, or 4.9 percent over last year. Business-type activities show an increase of \$104,975, or .3 percent.

MIDWAY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2011

The following table summarizes the City's net assets:

	Net Assets					
	June 30, 2011 and 2010					
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current Assets	\$ 5,192,262	\$ 4,624,554	\$ 1,507,246	\$ 1,328,527	\$ 6,699,508	\$ 5,953,081
Capital Assets	10,134,453	10,123,148	28,191,801	28,178,817	38,326,254	38,301,965
Other Assets	-	-	2,605,191	2,799,513	2,605,191	2,799,513
Total Assets	<u>15,326,715</u>	<u>14,747,702</u>	<u>32,304,238</u>	<u>32,306,857</u>	<u>47,630,953</u>	<u>47,054,559</u>
Other Liabilities	1,102,712	1,021,063	575,154	682,748	1,677,866	1,703,811
Long-term Liabilities Outstanding	205,475	361,877	-	-	205,475	361,877
Total Liabilities	<u>1,308,187</u>	<u>1,382,940</u>	<u>575,154</u>	<u>682,748</u>	<u>1,883,341</u>	<u>2,065,688</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	10,134,453	9,757,570	28,191,801	28,178,817	38,326,254	37,936,387
Restricted	701,802	594,828	786,919	752,189	1,488,721	1,347,017
Unrestricted	3,182,273	3,012,331	2,750,364	2,693,103	5,932,637	5,705,434
Total Net Assets	<u>\$ 14,018,528</u>	<u>\$ 13,364,729</u>	<u>\$ 31,729,084</u>	<u>\$ 31,624,109</u>	<u>\$ 45,747,612</u>	<u>\$ 44,988,838</u>

MIDWAY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2011

The following table summarizes the City's changes in net assets:

	Changes in Net Assets June 30, 2011 and 2010					
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 342,841	\$ 259,992	\$ 510,970	\$ 494,374	\$ 853,811	\$ 754,366
Operating grants and contributions	280,541	100,632	-	-	280,541	100,632
Capital grants and contributions	413,456	181,685	155,977	16,100	569,433	197,785
General revenues:						
Property Taxes	664,962	659,554	-	-	664,962	659,554
General sales and use tax	993,479	965,057	-	-	993,479	965,057
Franchise tax	349,672	340,906	-	-	349,672	340,906
Unrestricted investment earnings	20,298	19,655	-	8,713	20,298	28,368
Other	-	-	(159,517)	68,083	(159,517)	68,083
Total revenues	3,065,249	2,527,481	507,430	587,270	3,572,679	3,114,751
Expenses:						
General governmental	1,366,393	1,099,676	-	-	1,366,393	1,099,676
Public safety	220,340	272,322	-	-	220,340	272,322
Highways and public works	438,791	430,229	-	-	438,791	430,229
Parks and recreation	245,856	255,578	-	-	245,856	255,578
Interest on long-term debt	7,502	11,328	-	-	7,502	11,328
Ice Rink	-	-	37,283	51,881	37,283	51,881
Water Utility	-	-	497,740	593,173	497,740	593,173
Total expenses	2,278,882	2,069,133	535,023	645,054	2,813,905	2,714,187
Increase in net assets	786,367	458,348	(27,593)	(57,784)	758,774	400,564
Transfers	(132,568)	(45,718)	132,568	45,718	-	-
Change in Net Assets	653,799	412,630	104,975	(12,066)	758,774	400,564
Net assets - beginning	13,364,729	12,952,099	31,624,109	31,636,175	44,988,838	44,588,274
Net assets - ending	\$ 14,018,528	\$ 13,364,729	\$ 31,729,084	\$ 31,624,109	\$ 45,747,612	\$ 44,988,838

Fund Financial Statements

As of June 30, 2011, the City's governmental funds had combined fund equity of \$3,867,383 which represented an increase of \$440,829 over last year's ending balances.

The General Fund is the chief operating fund of the City. Taxes continue to be the largest source of revenue in this fund and represent 72.1% of fund revenue. Sales and use taxes represent the majority of tax revenue followed by property taxes.

MIDWAY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2011

General Fund Budgetary Highlights

During the fiscal year, the General Fund revenues budget was amended from an original budget of \$3,232,466 to a final budget of \$2,953,444. Actual revenues were \$2,773,683, or 93.9% of the final budget. The original expenditures budget was \$1,572,819 and was adjusted to a final budget of \$1,714,655. Total actual expenditures were \$1,607,204, which is 93.7% of the final budget.

Capital Assets and Debt Administration

The City added \$681,838 in capital assets during the year for both governmental and business-type activities. Annual city-wide depreciation for 2011 was \$657,516, resulting in a net increase in capital assets of \$24,322.

Capital assets acquisition events during the fiscal year included:

- Purchase of a plow, salt and sand spreader, and Ditch Witch totaling \$50,355.
- Improvements to River Road totaling \$200,000.
- Improvements to 200 North Road, Pine Canyon, Valias Park and Trails Projects in the amount of \$85,668.
- Improvements to the water line on 200 North totaling \$94,396.
- Construction costs related to the Community Center/Town Hall in the amount of \$151,419.
- A capital asset contribution of Water Stock for \$100,000.

The following table summarizes the City's changes in capital assets at June 30, 2011:

	Change in Net Assets					
	For the years ended June 30, 2011 and 2010					
	Governmental		Business-type		Total	
	Activities		Activities		Total	
	2011	2010	2011	2010	2011	2010
Invested in capital assets, net of depreciation:						
Land	\$ 3,443,773	\$ 3,443,773	\$ -	\$ -	\$ 3,443,773	\$ 3,443,773
Construction in Progress	193,925	42,506	-	-	193,925	42,506
Buildings	642,210	667,577	21,200	21,844	663,410	689,421
Equipment	139,027	192,471	74,481	55,348	213,508	247,819
Vehicles	-	1,860	-	-	-	1,860
Improvements	1,224,869	1,010,279	-	-	1,224,869	1,010,279
Infrastructure	4,490,649	4,764,682	-	-	4,490,649	4,764,682
Water Distribution System	-	-	6,839,687	6,936,927	6,839,687	6,936,927
Ice Rink	-	-	265,633	273,898	265,633	273,898
Water Stock	-	-	20,990,800	20,890,800	20,990,800	20,890,800
Total net capital assets:	\$ 10,134,453	\$ 10,123,148	\$ 28,191,801	\$ 28,178,817	\$ 38,326,254	\$ 38,301,965

MIDWAY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2011

The following table summarizes the City's changes in debt:

Long-term Debt
At June 30, 2011 and 2010

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Bonds Payable	\$ 161,324	\$ 315,254	\$ -	\$ -	\$ 161,324	\$ 315,254
Notes Payable	20,636	46,623	-	-	20,636	46,623
Accrued compensated absences	23,515	21,005	-	-	23,515	21,005
Total long-term debt	\$ 205,475	\$ 382,882	\$ -	\$ -	\$ 205,475	\$ 382,882

Additional information on the City's capital assets and debt can be found in the notes to this financial report.

Requests for Information

This financial report is designed to provide a general overview of Midway City's finances. Questions concerning any information provided in this report or any requests for additional financial information should be addressed to the Budget Officer, City of Midway, PO Box 277, Midway, Utah, 84049.

BASIC
FINANCIAL
STATEMENTS

MIDWAY CITY
STATEMENT OF NET ASSETS
JUNE 30, 2011

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 3,414,929	\$ 705,838	\$ 4,120,767
Cash and cash equivalents - restricted	701,802	786,919	1,488,721
Accounts receivable, net	24,880	1,037	25,917
Property tax receivable	641,235	-	641,235
Sales Tax receivable	195,025	-	195,025
Intergovernmental receivables	214,391	-	214,391
Other receivables	-	5,452	5,452
Inventory	-	8,000	8,000
Total Current Assets	5,192,262	1,507,246	6,699,508
Capital Assets:			
Land	3,443,773	-	3,443,773
Construction in progress	193,925	-	193,925
Water Stock	-	20,990,800	20,990,800
Buildings	642,210	21,200	663,410
Improvements	1,224,869	-	1,224,869
Water Distribution System	-	6,839,687	6,839,687
Equipment	139,027	74,481	213,508
Ice Rink	-	265,633	265,633
Infrastructure	4,490,649	-	4,490,649
Total Capital Assets	10,134,453	28,191,801	38,326,254
Investment in Joint Venture	-	2,605,191	2,605,191
TOTAL ASSETS	15,326,715	32,304,238	47,630,953
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	184,353	17,926	202,279
Deferred revenue	591,526	6,860	598,386
Deposits	324,656	4,460	329,116
Accrued interest	2,177	-	2,177
Water Assessment payable	-	545,908	545,908
Total current liabilities	1,102,712	575,154	1,677,866
LONG-TERM LIABILITIES			
Long-term liabilities-Due within one year	59,960	-	59,960
Long-term liabilities-Due in more than one year	145,515	-	145,515
Total long-term liabilities	205,475	-	205,475
TOTAL LIABILITIES	1,308,187	575,154	1,883,341
NET ASSETS			
Investment in general capital assets net of related debt	10,134,453	28,191,801	38,326,254
Restricted for:			
Class C Roads	319,457	-	319,457
Parks Impact Fees	125,994	-	125,994
Trails Impact Fees	26,021	-	26,021
Transportation Impact Fees	230,330	-	230,330
Water Impact Fees	-	197,831	197,831
Water Projects	-	589,088	589,088
Unrestricted Net Assets	3,182,273	2,750,364	5,932,637
TOTAL NET ASSETS	\$ 14,018,528	\$ 31,729,084	\$ 45,747,612

The notes to the financial statements are an integral part of this statement.

MIDWAY CITY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
							PRIMARY GOVERNMENT
Primary Government:							
Governmental Activities:							
General Government	\$ 1,366,393	\$ 307,943	\$ 57,629	\$ 317,780	\$ (683,041)	\$ -	\$ (683,041)
Public Safety	220,340	10,310	67,325	-	(142,705)	-	(142,705)
Highways and Public Improvements	438,791	-	155,587	95,676	(187,528)	-	(187,528)
Parks and Recreation	245,856	24,588	-	-	(221,268)	-	(221,268)
Interest on Long-term Debt	7,502	-	-	-	(7,502)	-	(7,502)
Total governmental activities	2,278,882	342,841	280,541	413,456	(1,242,044)	-	(1,242,044)
Business-type Activities:							
Ice Sheet	37,283	-	-	-	-	(37,283)	(37,283)
Water	497,740	510,970	-	155,977	-	169,207	169,207
Total Business-type Activities	535,023	510,970	-	155,977	-	131,924	131,924
Total Primary Government	\$ 2,813,905	\$ 853,811	\$ 280,541	\$ 569,433	\$ (1,242,044)	\$ 131,924	\$ (1,110,120)
General Revenues:							
Taxes and special assessments:							
Property tax					664,962	-	664,962
Sales and use tax					993,479	-	993,479
Franchise tax					349,672	-	349,672
Joint Venture income/(loss)					-	(159,517)	(159,517)
Unrestricted Investment earnings					20,298	-	20,298
Transfers					(132,568)	132,568	-
Total general revenues and transfers					1,895,843	(26,949)	1,868,894
Change in Net Assets					653,799	104,975	758,774
Net Assets - Beginning					13,364,729	31,624,109	44,988,838
Net Assets - Ending					\$ 14,018,528	\$ 31,729,084	\$ 45,747,612

The notes to the financial statements are an integral part of this statement.

**MIDWAY CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	MAJOR		NON-MAJOR		TOTAL GOVERNMENTAL FUNDS
	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS		
ASSETS					
Cash	\$ 687,322	\$ 2,462,167	\$ 265,438		\$ 3,414,927
Accounts receivable	24,880	-	-		24,880
Due from other governmental units	886,501	164,150	-		1,050,651
Restricted assets:					
Cash	-	701,802	-		701,802
Total assets	<u>\$ 1,598,703</u>	<u>\$ 3,328,119</u>	<u>\$ 265,438</u>		<u>\$ 5,192,260</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 79,414	\$ 65,756	\$ 16,520		\$ 161,690
Accrued liabilities	22,663	-	-		22,663
Deposits and bonds	301,755	22,901	-		324,656
Deferred revenue	651,718	164,150	-		815,868
Total liabilities	<u>1,055,550</u>	<u>252,807</u>	<u>16,520</u>		<u>1,324,877</u>
Fund Balances:					
Restricted for:					
Class "C" Road funds	-	319,457	-		319,457
Park impact fees	-	125,994	-		125,994
Trails impact fees	-	26,021	-		26,021
Transportation impact fees	-	230,330	-		230,330
Assigned to:					
Capital Projects Fund	-	2,373,510	-		2,373,510
Special Revenue Fund	-	-	11,233		11,233
Committed to:					
Perpetual Care Fund	-	-	237,685		237,685
Unassigned	543,153	-	-		543,153
Total fund balances	<u>543,153</u>	<u>3,075,312</u>	<u>248,918</u>		<u>3,867,383</u>
Total liabilities and fund balance	<u>\$ 1,598,703</u>	<u>\$ 3,328,119</u>	<u>\$ 265,438</u>		<u>\$ 5,192,260</u>

The notes to the financial statements are an integral part of this statement.

MIDWAY CITY
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

Total Fund Balances - Governmental Funds.....	\$ 3,867,383
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets in governmental activities are not financial resources and therefore are not reported in governmental funds, but they are reported in the Statement of Net Assets. Capital assets, net of depreciation, consist of the following:

Land.....	3,443,773	
Construction in Progress.....	193,925	
Buildings.....	642,210	
Improvements.....	1,224,869	
Equipment.....	139,027	
Infrastructure.....	4,490,649	10,134,453

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These consist of:

Federal Grants Receivable.....	164,152	
Delinquent Property Tax Receivable.....	39,218	
Developer Fee Receivable.....	20,974	224,344

Some liabilities are not due and payable in the current year and therefore are not reported in governmental funds, but they are reported in the Statement of Net Assets. These liabilities consist of the following:

Accrued Interest Payable.....	(2,177)	
Bonds and Notes Payable.....	(181,960)	
Compensated absences.....	(23,515)	(207,652)

Net Assets of Governmental Activities.....	<u>\$ 14,018,528</u>
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The notes to the financial statements are an integral part of this statement.

MIDWAY CITY
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	\$ 1,998,949	\$ -	\$ -	\$ 1,998,949
Impact Fees	-	95,676	-	95,676
Licenses and permits	190,368	-	-	190,368
Intergovernmental revenue	465,095	-	-	465,095
Charges for services	67,785	-	-	67,785
Miscellaneous revenues	51,486	11,322	11,254	74,062
Total Revenues	2,773,683	106,998	11,254	2,891,935
EXPENDITURES:				
Current:				
Debt Service:				
Principal	25,987	-	153,930	179,917
Interest	2,168	-	6,858	9,026
General Government	1,013,244	20,000	1,534	1,034,778
Public Safety	218,803	-	-	218,803
Highways and Public Works	128,105	-	-	128,105
Parks and Recreation	200,342	-	-	200,342
Economic Development	-	-	91,924	91,924
Capital Outlay	18,555	437,088	-	455,643
Total Expenditures	1,607,204	457,088	254,246	2,318,538
Excess of Revenues Over (Under) Expenditures	1,166,479	(350,090)	(242,992)	573,397
OTHER FINANCING SOURCES (USES):				
Transfers in	-	811,076	254,246	1,065,322
Transfers (out)	(1,049,627)	(148,263)	-	(1,197,890)
Total other financing sources (uses)	(1,049,627)	662,813	254,246	(132,568)
Excess (deficiency of revenues/sources over (under) expenditures/uses	116,852	312,723	11,254	440,829
Fund balance at beginning of year	426,301	2,762,589	237,664	3,426,554
Fund balance at end of year	\$ 543,153	\$ 3,075,312	\$ 248,918	\$ 3,867,383

The notes to the financial statements are an integral part of this statement.

MIDWAY CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Total Governmental Funds..... **\$ 440,829**

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts were as follows:

Capital outlay.....	455,643	
Depreciation expense.....	<u>(444,303)</u>	11,340

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, this amount was..... 179,917

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In the current year, such an amount was:

Loss on Developer Fees.....		(150,616)
Increase in Compensated Absences.....		(2,509)
Decrease in Interest Payable.....		1,524

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues/expenses in the funds:

Federal Grants.....		164,150
Delinquent Property Taxes.....		9,164

Change in Net Assets of Governmental Activities..... **\$ 653,799**

The notes to the financial statements are an integral part of this statement.

MIDWAY CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>MAJOR WATER FUND</u>	<u>NON-MAJOR ICE RINK FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
ASSETS			
Current Assets:			
Cash	\$ 686,560	\$ 19,278	\$ 705,838
Accounts receivable	1,037	-	1,037
Other receivables	5,452	-	5,452
Inventory	8,000	-	8,000
Total Current Assets	<u>701,049</u>	<u>19,278</u>	<u>720,327</u>
Noncurrent Assets:			
Cash - restricted	786,919	-	786,919
Investment in joint venture	2,605,191	-	2,605,191
Capital assets:			
Water stock	20,990,800	-	20,990,800
Water distribution system	8,290,312	-	8,290,312
Buildings	-	25,053	25,053
Machinery and equipment	151,582	114,609	266,191
Ice Sheet	-	326,411	326,411
Less: accumulated depreciation	<u>(1,559,342)</u>	<u>(147,624)</u>	<u>(1,706,966)</u>
Total capital assets (net of accumulated depreciation)	<u>27,873,352</u>	<u>318,449</u>	<u>28,191,801</u>
Total noncurrent assets	<u>31,265,462</u>	<u>318,449</u>	<u>31,583,911</u>
Total assets	<u>31,966,511</u>	<u>337,727</u>	<u>32,304,238</u>
LIABILITIES			
Current Liabilities			
Accounts payable	17,919	7	17,926
Deposits and bonds	4,460	-	4,460
Deferred revenue	6,860	-	6,860
Water assessments payable	<u>545,908</u>	<u>-</u>	<u>545,908</u>
Total Current Liabilities	<u>575,147</u>	<u>7</u>	<u>575,154</u>
NET ASSETS			
Investment in general capital assets (net of related debt)	27,873,352	318,449	28,191,801
Restricted Water Impact Fee	197,831	-	197,831
Restricted Other Water	589,088	-	589,088
Unrestricted	2,731,093	19,271	2,750,364
Total Net Assets	<u>\$ 31,391,364</u>	<u>\$ 337,720</u>	<u>\$ 31,729,084</u>

The notes to the financial statements are an integral part of this statement.

MIDWAY CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		
	MAJOR WATER FUND	NON-MAJOR ICE RINK FUND	TOTAL ENTERPRISE FUNDS
OPERATING REVENUES			
Charges for services	\$ 483,735	\$ -	\$ 483,735
Connection Fees	20,516	-	20,516
Total Operating Revenues	<u>504,251</u>	<u>-</u>	<u>504,251</u>
OPERATING EXPENSES			
Salaries and benefits	123,152	5,746	128,898
Maintenance and supplies	127,734	7,559	135,293
Utilities	45,522	5,863	51,385
Depreciation	200,122	13,091	213,213
Other	1,210	5,024	6,234
Total Operating Expenses	<u>497,740</u>	<u>37,283</u>	<u>535,023</u>
Operating Income (loss)	<u>6,511</u>	<u>(37,283)</u>	<u>(30,772)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	6,719	-	6,719
Joint Venture Income/(Loss)	(159,517)	-	(159,517)
Impact fees	55,977	-	55,977
Total non-operating revenues (expenses)	<u>(96,821)</u>	<u>-</u>	<u>(96,821)</u>
Income before contributions and transfers	<u>(90,310)</u>	<u>(37,283)</u>	<u>(127,593)</u>
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	100,000	-	100,000
Transfers from other funds	92,831	39,737	132,568
Total Contributions and transfers	<u>192,831</u>	<u>39,737</u>	<u>232,568</u>
Change in net assets	102,521	2,454	104,975
Net assets, Beginning of the Year	<u>31,288,843</u>	<u>335,266</u>	<u>31,624,109</u>
Net assets, ending	<u>\$ 31,391,364</u>	<u>\$ 337,720</u>	<u>\$ 31,729,084</u>

The notes to the financial statements are an integral part of this statement.

MIDWAY CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		
	WATER UTILITY FUND	ICE RINK FUND	TOTAL FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 515,026	\$ -	\$ 515,026
Net receipts (payments) pass-through entities	(96,620)	-	(96,620)
Payments to Suppliers	(191,784)	(18,447)	(210,231)
Payments to Employees	(123,152)	(5,746)	(128,898)
Net cash provided (used) by operating activities	<u>103,470</u>	<u>(24,193)</u>	<u>79,277</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer in (out)	92,831	39,737	132,568
Net cash provided (used) by noncapital and related financing activities	<u>92,831</u>	<u>39,737</u>	<u>132,568</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(126,196)	-	(126,196)
Impact fees	55,977	-	55,977
Net cash provided (used) by capital and related financing activities	<u>(70,219)</u>	<u>-</u>	<u>(70,219)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6,719	-	6,719
Participant withdrawals from joint venture	34,805	-	34,805
Net cash provided (used) by investing activities	<u>41,524</u>	<u>-</u>	<u>41,524</u>
Net increase in cash and cash equivalents	167,606	15,544	183,150
Cash and cash equivalents, beginning of year	1,305,873	3,734	1,309,607
Cash and cash equivalents, end of year	<u>1,473,479</u>	<u>19,278</u>	<u>1,492,757</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 6,511	\$ (37,283)	\$ (30,772)
Reconciliation adjustments:			
Depreciation expense	200,122	13,091	213,213
(Increase) decrease in inventory	(6,345)	-	(6,345)
(Increase) decrease in accounts receivable	10,775	-	10,775
Increase (decrease) in accounts payable related to	(13,734)	(1)	(13,735)
Increase (decrease) in accrued liabilities	(93,859)	-	(93,859)
Total adjustments	<u>96,959</u>	<u>13,090</u>	<u>110,049</u>
Net cash provided (used) by operating activities	<u>\$ 103,470</u>	<u>\$ (24,193)</u>	<u>\$ 79,277</u>
Noncash investing, capital, and financing activities:			
Loss from joint venture	\$ 159,517	\$ -	\$ 159,517
Water Stock contribution received	100,000	-	100,000

The notes to the financial statements are an integral part of this statement.

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Midway conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The City has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. 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 (police and fire), highways and public improvements, community development, parks, sanitation, health and social services, planning and zoning, and general administrative services.

The criteria set forth in generally accepted accounting principles (GAAP) were used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the following:

- A. The primary government
- B. Organizations for which the primary government is financially accountable
- C. Other organizations that, because of the nature and significance of their relationship with the primary government, exclusion from the reporting entity would render the financial statements misleading or incomplete.

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 of Midway City, Utah, is a blended component unit of the City and is reported as a non major Revenue Fund.

The Municipal Building Authority of Midway City, Utah, 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.

B. Government-wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Separate statements are provided for governmental and *proprietary funds*. For governmental and proprietary funds, the emphasis is on *major funds*, with each displayed in a separate column.

The City reports the following major governmental funds:

- **General Fund** - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.
- **Capital Projects Fund** - This fund accounts for financial resources to be used for the construction of major capital projects (other than those required to be accounted for in Proprietary Funds).

The City reports the following major proprietary fund:

- **Water Fund** - This fund accounts for the operations of the City's Water System, including water production, treatment, and distribution operations. This fund also accounts for the accumulation of resources for, and the payment of, long term debt for all water fund debts.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The proprietary fund statements are also prepared using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues generally result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating items, such as interest expense and investment earnings, result from nonexchange transactions or ancillary activities.

For business-type activities and enterprise funds, the City follows all GASB pronouncements and all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those standards conflict with a GASB pronouncement.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

D. Assets, Liabilities, and Fund Balances/Net Assets

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The City Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

All inventories are valued at cost using the first-in/first-out FIFO method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

Capital Assets

Capital assets which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital acquisition and construction are reflected as expenditures in governmental funds. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Individual assets with a cost greater than \$5,000 are capitalized.

Infrastructure capital assets which are newly constructed are capitalized. The City has parks and public works construction costs which are recorded as Construction in Progress. Improvements to streets, storm drainage, land drain, and water system improvements that have been received from developers are depreciated over their expected useful lives.

Capital assets are depreciated. Depreciation of buildings, improvements, infrastructure, and equipment is computed using the straight-line method.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings.....	30-50 years
Improvements.....	20-40 years
Equipment.....	5-10 years
Infrastructure.....	20-40 years

Long-term Obligations

In the government-wide statements and in the proprietary funds, long-term debt obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

Net Assets/Fund Balances

The difference between assets and liabilities is *net assets* on the government-wide statements, and *fund balance* on the governmental fund statements.

E. Revenues and Expenditures

The following are the City's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

Revenue Availability

Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. Midway City considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

Statement of Governmental Accounting Standards (SGAS) No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), the City has the legal right to collect the taxes, and in accordance with the provisions of the statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1, 2011.

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

F. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at the fiscal year end. Project-length financial plans are adopted for capital projects funds. Encumbrance accounting is not used by the City.

Summary of City Budget Procedures and Calendar

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the State of Utah for the General, Proprietary, and Capital Project Funds.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the council after the public hearing.
9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.
11. In connection with budget adoption:
 - a. An annual tax ordinance establishing the property tax rate is adopted before June 22.
 - b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22.
12. Budgets for the General and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Summary of Action Required for Budget Changes:

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution. Fund budgets may be increased by resolution after a public hearing.

G. Contributions

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB NO. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

H. Compensated Absences

City policy provides for vested or accumulated vacation and compensated leave. The balance at June 30, 2011 was \$23,515 which is all included in the governmental funds.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits and investments for Midway City are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2011 were \$314,260. These deposits are insured up to \$259,941.

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

Investments. Custodial credit risk for investments 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 that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. 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 participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Following are the City's investments at June 30, 2011.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ 5,313,267	80.56 days	not rated
Total	\$ 5,313,267		

* Weighted-average maturity

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF 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. Maturities of the City's investments are noted in the previous table.

D. 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 to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF.

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 3. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance <u>June 30, 2010</u>	Additions	Deletions	Balance <u>June 30, 2011</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 42,506	\$ 151,419	\$ -	\$ 193,925
Land	<u>3,443,773</u>	<u>-</u>	<u>-</u>	<u>3,443,773</u>
Total capital assets, not being depreciated	<u>3,486,279</u>	<u>151,419</u>	<u>-</u>	<u>3,637,698</u>
Capital assets, being depreciated:				
Buildings	1,014,677	-	-	1,014,677
Improvements - nonbuilding	1,228,816	285,668	-	1,514,484
Infrastructure	8,048,187	-	-	8,048,187
Machinery and equipment	916,936	18,555	-	935,491
Vehicles	<u>251,076</u>	<u>-</u>	<u>-</u>	<u>251,076</u>
Capital assets being depreciated	<u>11,459,692</u>	<u>304,223</u>	<u>-</u>	<u>11,763,915</u>
Less accumulated depreciation for:				
Buildings	347,100	25,367	-	372,467
Improvements	218,541	71,074	-	289,615
Infrastructure	3,283,537	274,001	-	3,557,538
Equipment	725,965	70,499	-	796,464
Vehicles	<u>247,714</u>	<u>3,362</u>	<u>-</u>	<u>251,076</u>
Total accumulated depreciation	<u>4,822,857</u>	<u>444,303</u>	<u>-</u>	<u>5,267,160</u>
Total capital assets being depreciated, net	<u>6,636,835</u>	<u>(140,080)</u>	<u>-</u>	<u>6,496,755</u>
Governmental activities capital assets, net	<u>\$ 10,123,114</u>	<u>\$ 11,339</u>	<u>\$ -</u>	<u>\$ 10,134,453</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Water Stock	\$ 20,890,800	\$ 100,000	\$ -	\$ 20,990,800
Land	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>20,890,800</u>	<u>100,000</u>	<u>-</u>	<u>20,990,800</u>
Capital assets, being depreciated:				
Buildings	25,053	-	-	25,053
Improvements - nonbuilding	-	-	-	-
Water Distribution System	8,195,916	94,396	-	8,290,312
Machinery and equipment	234,391	31,800	-	266,191
Ice Rink	<u>326,411</u>	<u>-</u>	<u>-</u>	<u>326,411</u>
Capital assets being depreciated	<u>8,781,771</u>	<u>126,196</u>	<u>-</u>	<u>8,907,967</u>
Less accumulated depreciation for:				
Buildings and Improvements	3,209	644	-	3,853
Water Distribution System	1,258,989	191,636	-	1,450,625
Machinery and equipment	179,042	12,668	-	191,710
Ice Rink	<u>52,513</u>	<u>8,265</u>	<u>-</u>	<u>60,778</u>
Total accumulated depreciation	<u>1,493,753</u>	<u>213,213</u>	<u>-</u>	<u>1,706,966</u>
Total capital assets being depreciated, net	<u>7,288,018</u>	<u>(87,017)</u>	<u>-</u>	<u>7,201,001</u>
Business-type activities capital assets, net	<u>\$ 28,178,818</u>	<u>\$ 12,983</u>	<u>\$ -</u>	<u>\$ 28,191,801</u>

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

Depreciation expense of governmental activities for 2011 was charged to functions as follows:

	Governmental Activities	Business Types	TOTAL
General Government	\$ 106,566	\$ -	\$ 106,566
Public Safety	1,537	-	1,537
Highways and public Improvements	310,686	-	310,686
Parks and Recreation	25,514	-	25,514
Water Utility	-	200,122	200,122
Ice Rink	-	13,091	13,091
	<u>\$ 444,303</u>	<u>\$ 213,213</u>	<u>\$ 657,516</u>

The City added \$681,838 in capital asset construction and acquisition costs during fiscal year 2011. This included \$18,555 in equipment, \$285,668 in street improvements, and \$151,419 in construction costs for the community center. It also included \$94,396 in water line improvements, \$31,800 in equipment and \$100,000 in increased water stock in the Water Fund. The City did not receive any infrastructure contributions from local developers in the current year.

NOTE 4. LONG-TERM DEBT

Descriptions of long-term debt follow:

Governmental Activity

The Midway City Municipal Building Authority issued \$1,000,000 of Lease Revenue Bonds Series 2000A on June 12, 2000. The proceeds were for the Burgi Lane Road project. Class "C" road funds are pledged for the repayment of these bonds. The stated interest rate is 2.5% with principal repayment to begin on April 1, 2005 with annual payments to be made through 2014. The unpaid balance at June 30, 2011 was \$29,324.

The Midway City Municipal Building Authority issued \$400,000 of Lease Revenue Bonds Series 2000B on June 12, 2000. The proceeds were for the Burgi Lane Road project. Class "C" road funds are pledged for the repayment of these bonds. The stated interest rate is 0% with principal repayment to begin on April 1, 2005 with annual payments to be made through 2014. The balance was paid in full during the fiscal year.

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 to begin on February 10, 2004 with annual payments to be made through 2023. The unpaid balance at June 30, 2011 was \$132,000.

Midway City obtained a construction loan from Bank of the West in order to build a new public works building. The loan in the amount of \$245,000 was converted into permanent debt at the end of construction when the building was completed and approved. The interest rate is 5.328%. The permanent loan will be paid off in twelve annual installments in the amount of \$28,155 beginning October 26, 2000. The unpaid balance at June 30, 2011 was \$20,636.

Long-term debt consists of the following at June 30, 2011:

Governmental activities:

MBA Lease Revenue Bond Series 2000A	\$ 29,324
MBA Lease Revenue Bond Series 2000B	-
MBA Lease Revenue Bond Series 2002	132,000
Bank of the West Note Payable	<u>20,636</u>
Total bonds and notes	181,960
Accrued Compensated Absences	<u>23,515</u>
Total Long-term debt	<u>\$ 205,475</u>

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

The following is a schedule of bond and note maturities by year:

Governmental activities:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 59,960	\$ 6,628	\$ 66,588
2013	10,000	3,050	13,050
2014	10,000	2,800	12,800
2015	10,000	2,550	12,550
2016	11,000	2,300	13,300
2017-2021	57,000	7,350	64,350
2022-2023	24,000	900	24,900
	<u>\$ 181,960</u>	<u>\$ 25,578</u>	<u>\$ 207,538</u>

Changes in Long Term Debt

Governmental activities:	<u>2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>2011</u>	<u>Current Portion</u>
Bonds Payable					
MBA Lease Rev Bond S 2000A	\$ 133,324	\$ -	\$ 104,000	\$ 29,324	\$ 29,324
MBA Lease Rev Bond S 2000B	40,930	-	40,930	-	-
MBA Lease Rev Bond S 2002	141,000	-	9,000	132,000	10,000
Notes Payable	46,623	-	25,987	20,636	20,636
Accrued compensated Absences	<u>21,005</u>	<u>2,510</u>	<u>-</u>	<u>23,515</u>	<u>-</u>
Government activities long-term debt	<u>\$ 382,882</u>	<u>\$ 2,510</u>	<u>\$ 179,917</u>	<u>\$ 205,475</u>	<u>\$ 59,960</u>

NOTE 5. RISK MANAGEMENT

Midway 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 for which the City carries commercial insurance and participate in a public entity risk pool – the Utah Government Trust. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman’s compensation. As of June 30, 2011, there is no anticipation of unpaid claims. Therefore, a liability is not accrued.

NOTE 6. RETIREMENT PLANS

A. Pension Plans

Midway City contributes to the Local Government Noncontributory Retirement System and Local Government Contributory Retirement System which are cost-sharing multiple-employer defined benefit pension plan. The System is administered by Utah Retirement Systems (URS) under the direction of the URS Board, which consists of the State Treasurer and six members appointed by the governor. URS is established under and governed by Title 49 of *Utah Code Annotated*, 1953, as amended (UCA). URS publishes an annual financial report that includes financial statements and required supplementary information for all retirement systems and deferred compensation plans administered by it. Copies of the report may be obtained by writing to Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102; by calling 1-800-365-8772; or by visiting www.urs.org.

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

Retirement benefits, as specified by UCA Title 49, cover substantially all employees of the State, public education, and other political subdivisions of the State. Only the State Legislature can modify benefits. The Systems provide pension, death, and disability benefits for employees who meet all eligibility requirements. Employees are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus years of service. A brief summary of eligibility, benefits, and contribution rates of the Systems is provided in the table below.

Expenditures or expenses for retirement costs are recorded in the City's funds as contributions are made to the Systems. Contributions made each year were equal to the contributions required by the City's contract with URS. Therefore, the City has no liability for pension obligations.

The Midway City Retirement plan is outlined below at June 30, 2011:

	<u>Noncontributory System</u>	<u>Contributory System</u>
Highest Average Salary.....	Highest 3 years	Highest 5 years
Years of Service and Age of Eligibility.....	30 years any age 25 years any age 20 years age 60 10 years age 62 4 years age 65	30 years any age 20 years age 60 10 years age 62 4 years age 65
Benefit Percent per Year of Service.....	2.00% per year	1.10% to June 1967 1.25% to June 1975 2.00 % thereafter
Annual Cost of Living Adjustment.....	up to 4.00%	up to 4.00%
2011 Rates as Percent of Covered Payroll:		
Employer.....	13.37%	9.36%
Member.....	-	6.00%
Local Governmental System - Noncontributory		
Actual City Contributions Made, by year - Employer:	<u>Noncontributory</u>	<u>Contributory</u>
2011.....	\$ 54,430	\$ 6,133
2010.....	\$ 51,991	\$ 6,124
2009.....	\$ 62,980	\$ 6,119

B. Defined Contribution Plans

The City participates in a 401(K) plan managed by the Utah State Retirement System (Systems). All full-time regular employees are eligible to participate in this plan. Although not required by the Systems to contribute to the 401(K), the City contributed 2.49% of salaries. The City contributed no funds, \$15,244, and \$21,885 during the fiscal years ended June 30, 2011, 2010, and 2009 respectively. Employees contributed \$24,444, \$24,225, and \$31,814 during the fiscal years ended June 30, 2011, 2010, and 2009 respectively.

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 7. PROPERTY TAX CALENDAR

Lien date.....	January 1st
Budget officer of the entity prepares and files with the City Council a tentative budget for the next fiscal year.....	1st scheduled Council Meeting in May
County Auditor sends valuation certified tax rate and levy worksheets to each taxing entity.....	June 8th
Taxing entity must adopt a proposed tax rate, certify the rate and levy, and submit to the County Auditor.....	Before June 22nd
Taxing entity adopts a final tax rate if there is no increase in certified tax rate.....	June 22nd
Taxing entity adopts final budget if there is no increase in certified tax rate.....	June 22nd
Copy of the budget is submitted to State Auditor within 30 days of adoption payment and delinquency date.....	July 22nd

NOTE 8. RECEIVABLES

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	General	Capital Projects	Water	Total
Taxes	\$ 836,262	\$ -	\$ -	\$ 836,262
Intergovernmental	50,239	164,150	-	214,389
Developers	24,880	-	-	24,880
Accounts	-	-	6,489	6,489
Total Receivables	\$ 911,381	\$ 164,150	\$ 6,489	\$ 1,082,020

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Property Taxes Receivable (General Fund)	\$ 39,218	\$ 591,526
Developers Receivable (General Fund)	20,974	-
Federal Grants receivable (Capital Projects)	164,150	-
Total	\$ 224,342	\$ 591,526

NOTE 9. INTERFUND TRANSFER

Transfer In:	General	Capital Projects	Water	Ice Rink	Non Major Governmental	Total
General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Projects	811,076	-	-	-	-	811,076
Water	92,831	-	-	-	-	92,831
Ice Rink	39,737	-	-	-	-	39,737
Non Major Governmental	105,983	148,263	-	-	-	254,246
Total Transfers Out	\$ 1,049,627	\$ 148,263	\$ -	\$ -	\$ -	\$ 1,197,890

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

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.

NOTE 10. 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 on the next page:

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

This investment is accounted for by the equity method of accounting.

The following summary financial information for Heber and Light & Power is an abstract from the audited financial statements as of December 31, 2010. These financials are available at Heber Light & Power's office at: 31 South 100 West, Heber City, Utah.

	<u>Joint Venture</u>		<u>Midway City's Share</u>
Assets	\$ 33,939,741	\$	4,242,468
Liabilities	12,964,151		1,620,519
Equity	<u>20,975,590</u>		<u>2,621,949</u>
	<u>33,939,741</u>		<u>4,242,468</u>
Operating Revenue	\$ 12,063,352	\$	1,507,919
Less: cost of sales	<u>7,008,480</u>		<u>876,060</u>
Gross profit	5,054,872		631,859
General and administrative expenses	<u>5,839,535</u>		<u>729,942</u>
Income from operations	(784,663)		(98,083)
Other income and (expense)	<u>(203,761)</u>		<u>(25,470)</u>
Net income (loss)	(988,424)		(123,553)
Add: contributed capital	21,812		2,727
Less: participant withdrawals	(299,063)		(37,383)
Prior period adjustment	(299,205)		(37,401)
Beginning retained earnings	<u>22,540,470</u>		<u>2,817,559</u>
Ending retained earnings	<u>20,975,590</u>		<u>2,621,949</u>
Reconciliation to Combined Balance Sheet:			
Balance at December 31, 2010		\$	2,621,949
Less: withdrawals			<u>(16,758)</u>
Balance at June 30, 2011		\$	<u>2,605,191</u>

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 11. REPORTING OF FUND BALANCE/NET ASSETS

Governmental Funds

In February, 2009, the Governmental Accounting Standards Board issued Statement No. 54 on Fund Balance Reporting and Governmental Fund type Definitions. The statement is effective for years beginning after June 15, 2010. The statement applies only to governmental 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 governmental fund balances may be classified as follows:

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.

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. Class C Road Funds and Impact Fees are restricted funds and represent the excess of funds received over the amount spent.

Committed fund balance – Fund balances are reported as committed when the City 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.

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 the Capital Project Fund, Special Revenue Fund, and Perpetual Care Fund are, by their nature, assigned to the purpose of that respective fund.

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 spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

Statement of Net Assets

In the Statement of Net Assets, net assets are displayed in three components:

Invested in capital assets, net of related debt – 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.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations or other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

MIDWAY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 12. COMMUNITY DEVELOPMENT AND RENEWAL AGENCY

The Midway City Community Development and Renewal Agency (CDRA) was established to further public purposes in the development and renewal of certain City areas. For the year ended June 30, 2011, the following activity occurred in the City's CDRA:

Tax increment collection from other taxing agencies for various project areas	\$91,924
Tax increment paid to other taxing authorities	91,924
Outstanding loans to finance CDRA projects	-
Amounts expended for site improvements and preparation costs	-
Amounts expended for administrative costs	-

NOTE 13. SUBSEQUENT EVENTS

The City expended an additional \$985,972 subsequent to June 30, 2011 for the rehabilitation of the Town Hall. The total estimated cost of the project is \$1,192,714.

REQUIRED
SUPPLEMENTARY
INFORMATION

MIDWAY CITY
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Totals	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
REVENUES				
Taxes	\$ 1,770,600	\$ 1,982,505	\$ 1,998,949	\$ 16,444
Licenses and permits	84,610	172,362	190,368	18,006
Intergovernmental	1,292,465	685,553	465,095	(220,458)
Charges for services	43,200	57,014	67,785	10,771
Miscellaneous	41,591	56,010	51,486	(4,524)
Total Revenues	3,232,466	2,953,444	2,773,683	(179,761)
EXPENDITURES				
General Government	975,204	1,088,108	1,013,244	74,864
Public Safety	225,340	230,591	218,803	11,788
Highways and Public Works	128,032	134,681	128,105	6,576
Parks and Recreation	197,533	214,565	200,342	14,223
Capital Outlay	18,555	18,555	18,555	-
Debt Service				
Principal	25,987	25,987	25,987	-
Interest	2,168	2,168	2,168	-
Total Expenditures	1,572,819	1,714,655	1,607,204	107,451
Excess (Deficit) of revenues over (Under) expenditures	1,659,647	1,238,789	1,166,479	72,310
OTHER FINANCING SOURCES (USES)				
Transfers out	1,254,686	1,031,203	1,049,627	(18,424)
Net Change in Fund Balance	404,961	207,586	116,852	(90,734)
Fund Balances - Beginning	426,301	426,301	426,301	-
Fund Balances - Ending	\$ 831,262	\$ 633,887	\$ 543,153	\$ (90,734)

SUPPLEMENTARY
INFORMATION

MIDWAY CITY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	SPECIAL REVENUE M.B.A. FUND	CDRA FUND	PERPETUAL CEMETERY FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 11,233	\$ 16,520	\$ 237,685	\$ 265,438
Cash and cash equivalents - restricted	-	-	-	-
Total assets	<u>\$ 11,233</u>	<u>\$ 16,520</u>	<u>\$ 237,685</u>	<u>\$ 265,438</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	16,520	-	16,520
Total liabilities	<u>-</u>	<u>16,520</u>	<u>-</u>	<u>16,520</u>
Fund Balances:				
Assigned to:				-
Special Revenue Fund	11,233	-	-	11,233
Perpetual Care	-	-	237,685	237,685
Total fund balances	<u>11,233</u>	<u>-</u>	<u>237,685</u>	<u>248,918</u>
Total liabilities and fund balance	<u>\$ 11,233</u>	<u>\$ 16,520</u>	<u>\$ 237,685</u>	<u>\$ 265,438</u>

The notes to the financial statements are an integral part of this statement.

MIDWAY CITY
COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE M.B.A. FUND	CDRA FUND	PERPETUAL CEMETERY FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:				
Lot Sales	\$ -	\$ -	\$ 10,310	\$ 10,310
Miscellaneous revenues	-	-	944	944
Total Revenues	<u>-</u>	<u>-</u>	<u>11,254</u>	<u>11,254</u>
EXPENDITURES:				
Current:				
Debt Service:				
Principal	153,930	-	-	153,930
Interest	6,858	-	-	6,858
General Government	1,534	-	-	1,534
Economic Development	-	91,924	-	91,924
Total Expenditures	<u>162,322</u>	<u>91,924</u>	<u>-</u>	<u>254,246</u>
Excess of Revenues Over (Under) Expenditures	<u>(162,322)</u>	<u>(91,924)</u>	<u>11,254</u>	<u>(242,992)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	162,322	91,924	-	254,246
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>162,322</u>	<u>91,924</u>	<u>-</u>	<u>254,246</u>
Net change in fund balances	-	-	11,254	11,254
Fund balance at beginning of year	<u>11,233</u>	<u>-</u>	<u>226,431</u>	<u>237,664</u>
Fund balance at end of year	<u>\$ 11,233</u>	<u>\$ -</u>	<u>\$ 237,685</u>	<u>\$ 248,918</u>

The notes to the financial statements are an integral part of this statement.

AUDITORS' REPORTS ON
INTERNAL
CONTROL AND LEGAL
COMPLIANCE



GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
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SIDNEY S. GILBERT, CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council
Midway City Corporation
Midway, UT

December 14, 2011

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Midway City Corporation as of and for the year ended June 30, 2011, which collectively comprise the Midway City Corporation's basic financial statements and have issued our report thereon dated December 14, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Midway City Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Midway City Corporation's internal control over financial reporting.

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.

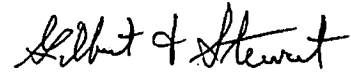
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Midway City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information of management, the City Council, Utah State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART
Certified Public Accountants



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

Honorable Mayor and City Council
 Midway City Corporation
 Midway, UT

December 14, 2011

We have audited the Midway City Corporation'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, 2011. The general compliance requirements applicable to the City are identified as follows:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Liquor Law Enforcement
- B & C Road Funds
- Special District and Local District
- Other General Compliance Issues
- Uniform Building Code Standards
- Impact Fees
- Asset Forfeiture
- Utah Retirement System Compliance
- Fund Balance Limitation

The City received the following major assistance programs from the State of Utah:

- B & C Road Funds (Department of Transportation)
- Liquor Law Enforcement (State Tax Commission)

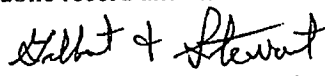
Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit 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 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. 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.

In our opinion, Midway City Corporation 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 assistance programs for the year ended June 30, 2011.

This report is intended solely for the information and use of the Mayor, City Council, City's management, and the Office of the Utah State Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.


GILBERT & STEWART
Certified Public Accountants

