

**MIDVALE CITY CORPORATION
MIDVALE, UTAH**

**Basic Financial Statements and
Supplementary Information**

Year Ended June 30, 2012

MIDVALE CITY CORPORATION

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Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
Midvale City Corporation, Utah

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 Midvale City Corporation, Utah ("the City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 basic 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 Midvale City Corporation, Utah, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and for the major special revenue fund 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 3, 2012, on our consideration of the City's internal control over financial reporting and 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 on pages 3 through 19 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 the City's financial statements as a whole. The accompanying combining and individual nonmajor fund financial statements, and budgetary comparison information 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 and budgetary comparison information 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.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

December 3, 2012

Midvale City Corporation
Management's Discussion and Analysis
June 30, 2012

Midvale City Corporation's management presents to the readers of its financial statements this narrative information. It contains an overview and analysis of the financial position and results of operations as of and for the twelve months ended June 30, 2012. As management of the City, we encourage readers to consider information contained in this discussion and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total assets (Governmental and Business-type activities combined) exceed its total liabilities at the end of the current fiscal year by \$91,151,606. The Statement of Net Assets shows a negative balance in Unrestricted Net Assets for Governmental Activities due to a \$27 million bond issued in Fiscal Year (FY) 2010 by the City's Redevelopment Agency (RDA). The bonds were issued for the purpose of reimbursing developers for extraordinary development costs on the Bingham Junction site. The site was formerly a superfund site restricted from development due to environmental concerns.

Midvale's RDA will collect 80% of the total property tax increment generated on the Bingham Junction site through 2034. This means that the other taxing entities (Salt Lake County, Canyons School District, etc.) have agreed to give up 80% of the revenue that would have otherwise been theirs in order to help foster this development. As the bonds are paid down, Unrestricted Net Assets will increase.

The debt service on these bonds will be paid by the RDA with property taxes received annually over the next 22 years.

- Net assets decreased by \$1,465,458 in FY 2012. The major cause of the decrease was due to the outsourcing of public safety. On July 1, 2011, the City transferred fire and ambulance services to the Unified Fire Authority (UFA), and police services to the Unified Police Department (UPD). Vehicles and equipment valued at \$2,072,923 were also transferred to those agencies. It is important to note that the ongoing savings from the transfer of public safety operations exceeds \$2 million per year. The UFA is a member of the Salt Lake Valley Fire Service Area, which has its own taxing authority. For FY 2013, Midvale City's certified tax rate will decrease by the certified tax rate assessed by the UFA – Midvale taxpayers will pay UFA directly for fire services. There is no interlocal agreement between the City and UFA. Midvale has entered an interlocal agreement with UPD for provision of police services, and will pay UPD directly from the General Fund.

Midvale City Corporation
Management's Discussion and Analysis (Continued)
June 30, 2012

- Total assets decreased by \$5.5 million in FY 2012. \$4 million was used to reduce liabilities, and the balance substantially represents the transfer of assets to UFA and UPD.
- Net expenses from governmental activities total \$10,621,042 for FY 2012. This represents program costs not recovered through charges for services and grants, and therefore funded primarily by taxes. Last year, net expenses from governmental activities were \$20,641,312. \$6.3 million of the change is attributable to activities in the RDA. Bond proceeds from 2010, used to reimburse developers for extraordinary development costs, were fully disbursed by the end of 2011; the RDA expended \$6,704,500 in FY 2011 and only \$395,210 in FY 2012. The other significant difference is in public safety, where approximately \$3.5 million in net expenses were saved through outsourcing public safety.
- Revenue from property taxes decreased by \$1.7 million as taxing authority shifted from Midvale City to the UFA. In FY 2013, General Fund property taxes will decrease an additional \$1.3 million, but the reduction in revenue is more than offset by the elimination of the cost of providing fire service. \$3 million in property taxes collected in the past by Midvale City will now be collected by the UFA for provision of fire service.
- General Fund revenues were \$2.5 million lower than the prior year, but expenditures also decreased by \$2.9 million. Revenues exceeded expenditures and special item by \$1.3 million. The net savings of \$2 million from outsourcing public safety was offset by a reduction in revenue from fines and forfeitures of \$618,000.
- The City's General Fund unassigned fund balance on June 30, 2012 is \$2,687,317. This is equal to 17% of the original adopted budget (\$15,849,700) for the General Fund for FY 2013. Utah state law prohibits fund balances in excess of eighteen percent or less than five percent of budgeted revenue.
- The City established a Telecommunications enterprise fund in FY 2012 primarily to report revenues and expenditures of its investment in the Utah Telecommunications Open Infrastructure Network (UTOPIA).

Midvale City Corporation
Management's Discussion and Analysis (Continued)
June 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to Midvale City's basic financial statements. The City's financial statements comprise three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements that will help the reader gain a more in-depth understanding of the City.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the City, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or declining.

The *statement of activities* shows the changes in net assets that occurred during the most recent fiscal year. These changes were recorded on an accrual basis when the underlying event that causes the change occurs, regardless of when the cash transaction takes place. One example is the next debt interest payment when the fiscal year ends in between interest payments. The *statement of activities* shows additional interest expense (an accrual) for the time period between the last interest payment and the end of the fiscal year.

Both of these government-wide financial statements distinguish between activities that are largely supported by taxes and intergovernmental revenues (governmental activities) and those whose operations are entirely or largely financed by user charges and fees (business type activities). The governmental activities for Midvale City include general government (council, mayor, administration, court); community and economic development; police; highways and public improvements; and parks, recreation, and public property. The business type activities include water, sewer, storm water utility, solid waste, telecommunications, and ambulance. Ambulance service was transferred to the UFA in FY 2012 but collection of Ambulance related accounts receivable continued through the year.

Midvale City Corporation
Management's Discussion and Analysis (Continued)
June 30, 2012

The Redevelopment Agency of Midvale City and the Municipal Building Authority are legally separate from the City, but for all practical purposes function as a part of the City and are therefore blended as an integral part of the primary government. The Municipal Building Authority has no net assets and no activity for FY 2012.

The government-wide financial statements are found as listed in the table of contents.

Fund financial statements

A fund is a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. Midvale City, like other state and local governments uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the City's funds can be categorized into one of two categories: governmental funds or proprietary funds.

Governmental funds account for essentially the same activities as the governmental activities in the government-wide financial statements, but with a narrower focus. Governmental funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short-term financing requirements.

Comparing similar information presented in the government-wide statements for the governmental activities with that presented in governmental funds statements can provide useful information because of the different focus of the two approaches. With the long-term focus of the government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. To aid in the comparison, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance show reconciliation between the governmental funds statements to the governmental activities in the government-wide statements.

Midvale City uses four different individual governmental funds. Of this number, information is shown separately for the General, Capital Projects, and Redevelopment Agency Funds, all of which are deemed major funds, and the Communities Building Communities fund. The City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found as listed in the table of contents.

Midvale City Corporation
Management's Discussion and Analysis (Continued)
June 30, 2012

Proprietary funds include enterprise funds and internal service funds. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Internal Service Funds are used to report activities that provide goods or services to other funds or departments of the City.

The Enterprise Funds maintained by Midvale City include water/sewer, storm water utility, solid waste, ambulance, and telecommunications service. Ambulance services have been transferred to the UFA, but some activity remained in FY 2012. Midvale City uses an Internal Service Fund to account for its vehicle fleet activities. Because the activities of the Internal Service Fund support primarily governmental rather than business-type activities, they have been included within the governmental activities column of the government-wide financial statements.

Proprietary funds present the same information as in the government-wide statements, except in more detail. The fund statements for proprietary funds provide separate information for each fund. The Telecommunications and Ambulance funds are combined, with separate information provided in the notes to the financial statements. The Internal Service Fund is presented in the proprietary fund financial statements. The City also adopts annual appropriated budgets for all of its proprietary funds. The basic proprietary fund financial statements can be found as listed in the table of contents.

Notes to the financial statements

Notes to the financial statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

OTHER INFORMATION

Supplemental information follows the Notes to the financial statements. The information provided includes combining financial statements for the Telecommunications and Ambulance proprietary funds, and expenditures and changes in comparisons of budget to actual for the Capital Projects Fund and the Communities Building Communities Fund issued by the Auditor.

Midvale City Corporation
Management's Discussion and Analysis (Continued)
June 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This table shows a comparison of Net Assets between governmental and business-type activities for the current year and the prior year:

	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
Current and other assets	\$ 12,457,106	\$ 13,954,871	\$ 10,059,527	\$ 15,174,001
Capital assets	89,519,674	92,775,358	37,787,132	33,402,753
Total Assets	101,976,780	106,730,229	47,846,659	48,576,754
Current and other liabilities	5,827,871	6,912,775	646,128	1,207,608
Long term liabilities	31,549,004	33,321,226	20,648,830	21,248,310
Total Liabilities	37,376,875	40,234,001	21,294,958	22,455,918
Net assets:				
Invested in capital assets, net of related debt	85,367,188	87,926,416	18,887,512	18,600,675
Restricted	812,835	1,445,511	-	-
Unrestricted	(21,580,118)	(22,875,699)	7,664,189	7,520,161
Total Net Assets	64,599,905	66,496,228	26,551,701	26,120,836
Total Liabilities and Net Assets	\$ 101,976,780	\$ 106,730,229	\$ 47,846,659	\$ 48,576,754

By far the largest component of Midvale City's net assets is its investment in capital assets. Capital assets represent the City's investment in land and land improvements; curb, gutter, and sidewalk; roads and storm drains; water and sewer lines; streetlights and signals, bridges, buildings, and machinery and equipment. Midvale City uses these capital assets to provide services to citizens who live, work, pass through or benefit in other ways from the City. By their nature, these assets are not available for future spending. Further, even though these capital assets are reported net of any related debt, resources needed to repay the debt must come from other sources, as the assets themselves cannot be used to satisfy the related obligations.

Governmental activities exhibit a decrease of \$1.9 million in Total Net Assets largely due to the transfer of public safety vehicles and equipment to the UFA and the UPD. The outsourcing of those services is expected to provide annual savings in operations of \$2 million. Business-type Activities exhibit a modest increase of \$430,865. Cash was invested in new capital assets and used to reduce liabilities.

Midvale City Corporation
Management's Discussion and Analysis (Continued)
June 30, 2012

ACTIVITIES, GOVERNMENTAL AND BUSINESS-TYPE

This table shows a comparison of revenues, expenses, and changes in Net Assets between governmental and business-type activities for the current year and the prior year:

	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
Revenues:				
Program revenues:				
Charges for services	\$ 3,409,783	\$ 3,875,455	\$ 6,655,481	\$ 6,664,284
Operating grants and contributions	742,079	2,007,000	-	-
Capital grants and contributions	1,274,142	1,856,668	197,734	164,317
General revenues:				
Property taxes	4,182,241	5,885,344	-	-
Other taxes	7,620,416	7,107,314	-	-
Unrestricted investment earnings	64,497	48,141	48,100	65,926
Other	26,634	60,371	-	-
Gain on sale of assets	151,453	82,708	-	-
Total revenues	17,622,698	21,005,709	6,901,315	6,894,527
Expenses:				
General government	4,330,929	4,047,915	-	-
Public safety	5,518,046	10,803,353	-	-
Highways and public improvements	3,856,315	4,462,856	-	-
Parks and recreation	762,234	678,459	-	-
Redevelopment	395,210	6,704,500	-	-
Interest on long-term debt	1,184,312	1,683,352	-	-
Water and sewer	-	-	4,657,700	3,605,976
Storm Water	-	-	758,040	751,607
Sanitation	-	-	930,805	937,858
Telecom	-	-	8,669	-
Ambulance	-	-	28,122	621,180
Loss on equity investment	-	-	170,218	562,280
Total expenses	16,047,046	28,380,435	6,553,554	6,478,901
Increase (decrease) in net assets before transfers	1,424,199	(7,457,434)	347,761	415,626
Transfers	(83,104)	(659,467)	83,104	659,467
Special item - public safety transfer	(3,237,418)	-	-	-
Increase (decrease) in net assets	(1,896,323)	(8,116,901)	430,865	1,075,093
Net assets - beginning	66,496,228	74,613,129	26,120,836	25,045,743
Net assets - ending	\$ 64,599,905	\$ 66,496,228	\$ 26,551,701	\$ 26,120,836

Total revenues in the Governmental Activities column decreased by \$3.5 million. The decrease in property taxes resulting from the transfer of fire services to the UFA accounts for \$1.7 million of the decrease. Operational grants decreased by \$1.3 million as a large portion of those grants funded public safety programs and were transferred to UFA or UPD.

Midvale City Corporation
Management's Discussion and Analysis (Continued)
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Total expenses in the Governmental Activities column decreased by \$12.3 million. The decrease in public safety expenditures accounts for \$5.3 million, and the decrease in redevelopment expenditures accounts for another \$6.3 million.

The "special item" of \$3,237,418 represents the transfer to UFA and UPD of the following; vehicles and equipment (\$2,072,923), accrued vacation and compensated absences for public safety employees (\$176,610), and reserves for replacement of fleet vehicles (\$987,885).

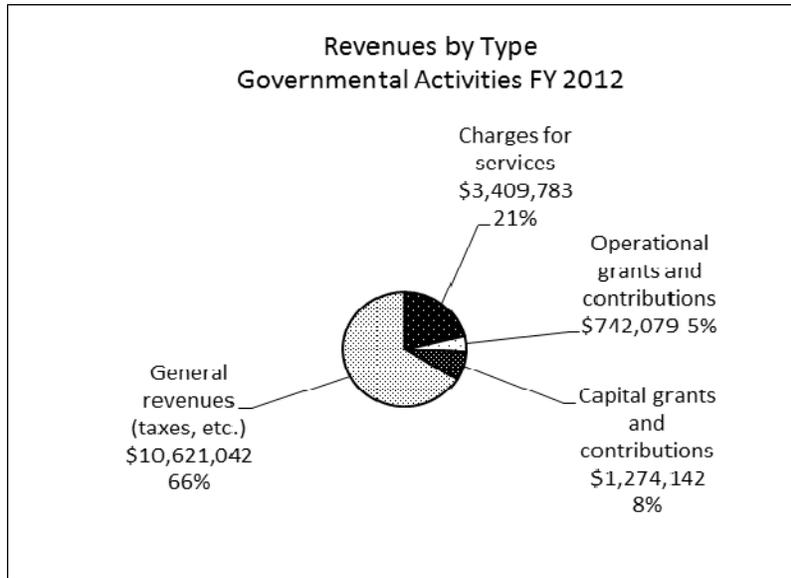
While total revenues in the Business-type Activities column remain fairly even between the two years, increases in rates for water, sewer, and sanitation resulted in additional revenue for those funds of \$506,000. The transfer of ambulance services to the UFA resulted in a revenue decrease of \$535,300. Revenues from the Telecommunications fund were \$17,974.

Expenditures in the Business-type Activities column increased by \$74,653 in total. However, as noted in the table on page 30, operating expenditures for water, sewer, and sanitation activities increased by \$532,224, offset by a decrease in operating expenditures for ambulance activities of \$593,058.

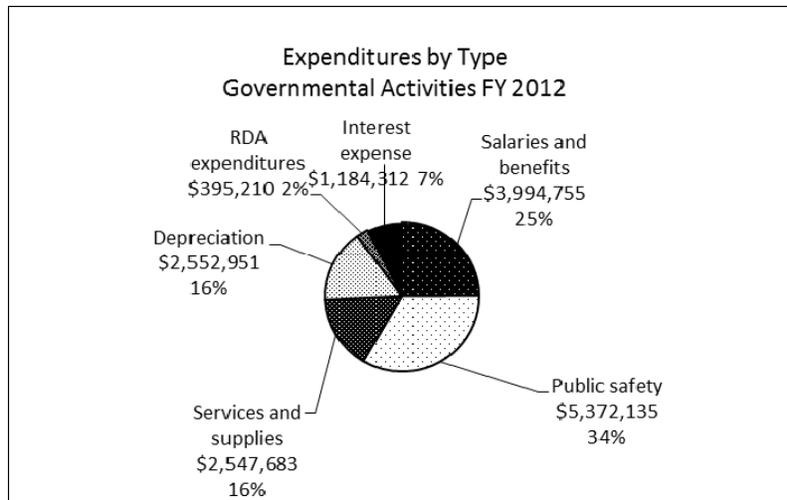
**Midvale City Corporation
Management's Discussion and Analysis (Continued)
June 30, 2012**

Governmental Activities

The following graphs illustrate the governmental activities reflected in the above tables.

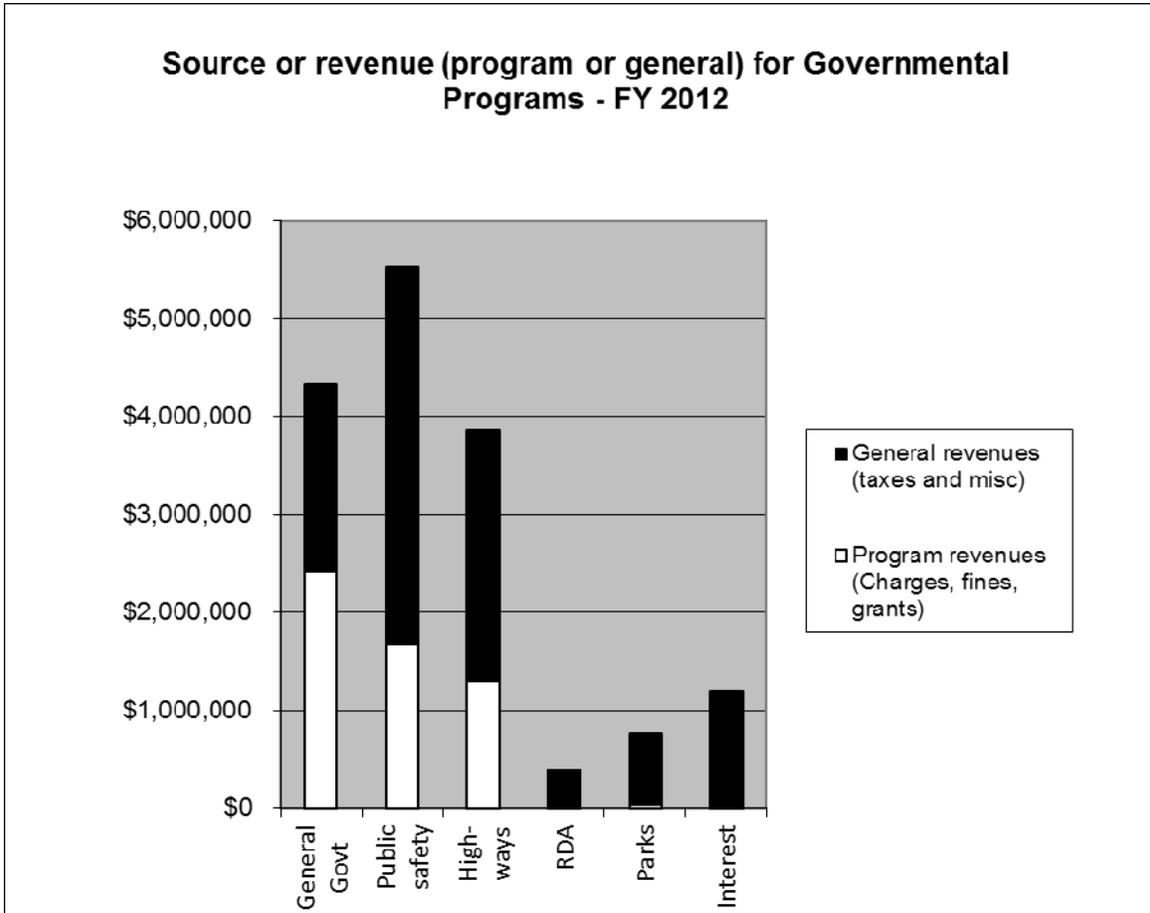


The chart above illustrates the reliance on tax revenues by the government funds. Charges for services include administrative fees assessed to the City's enterprise funds (Business-type Activities).



The chart above illustrates the various types of expenditures of Governmental Activities. The largest component is the contract for police services.

**Midvale City Corporation
Management's Discussion and Analysis (Continued)
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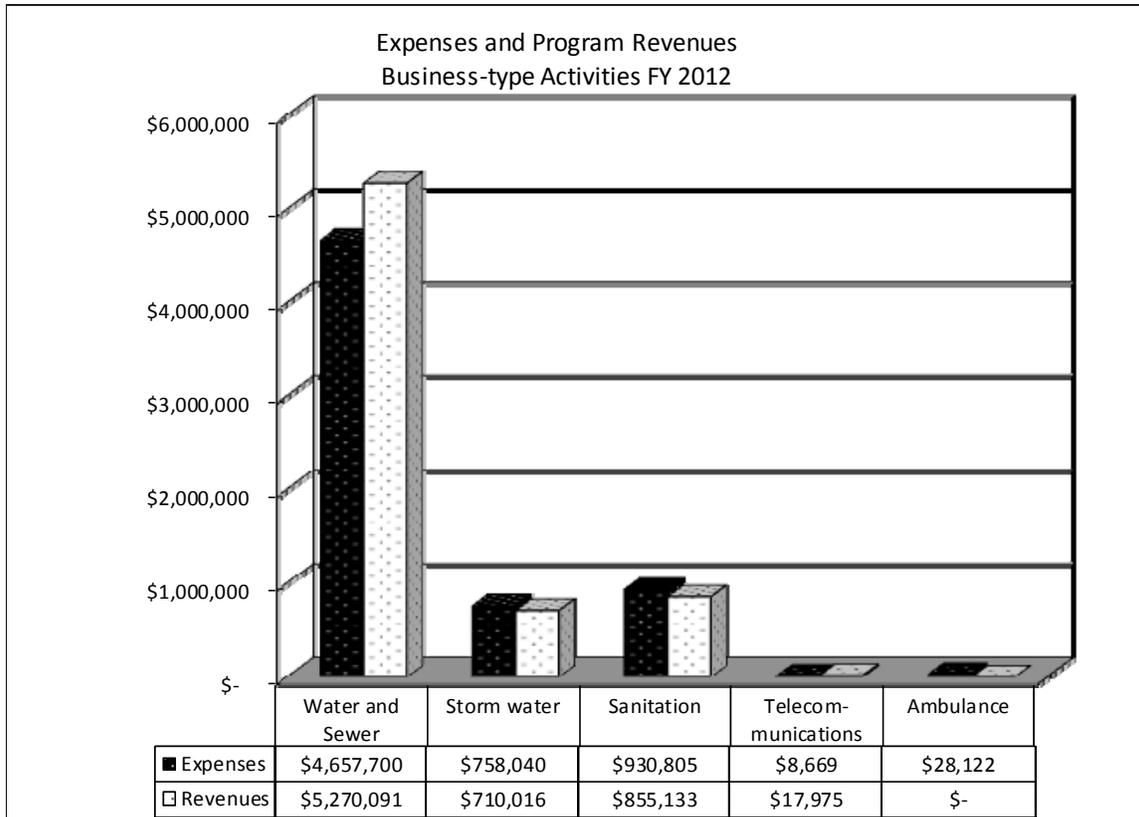
This graph illustrates how programs are funded. The light section of the bar represents program revenues, such as charges for services, court fines, and intergovernmental grants. The dark section of the bar represents the amount of general revenues required to fund the programs. General revenues consist mainly of property, sales, and franchise taxes.

Clearly, program revenues alone do not cover program expenses. Revenues raised from taxes (\$11.8 million in FY 2012) provide the additional funding needed to operate the programs of the General Government.

**Midvale City Corporation
Management's Discussion and Analysis (Continued)
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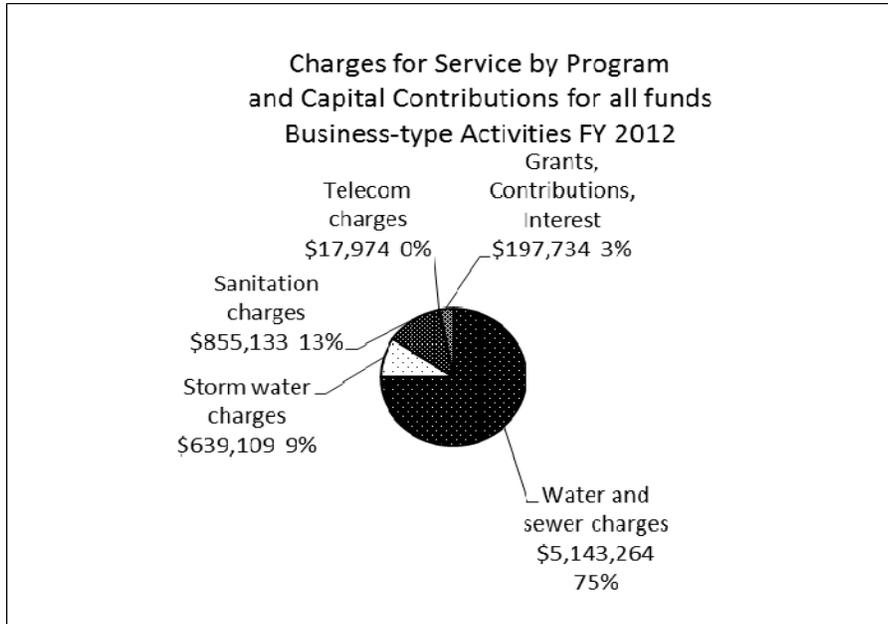
Business-type Activities

The following graphs display the business-type activities reflected in the above tables.

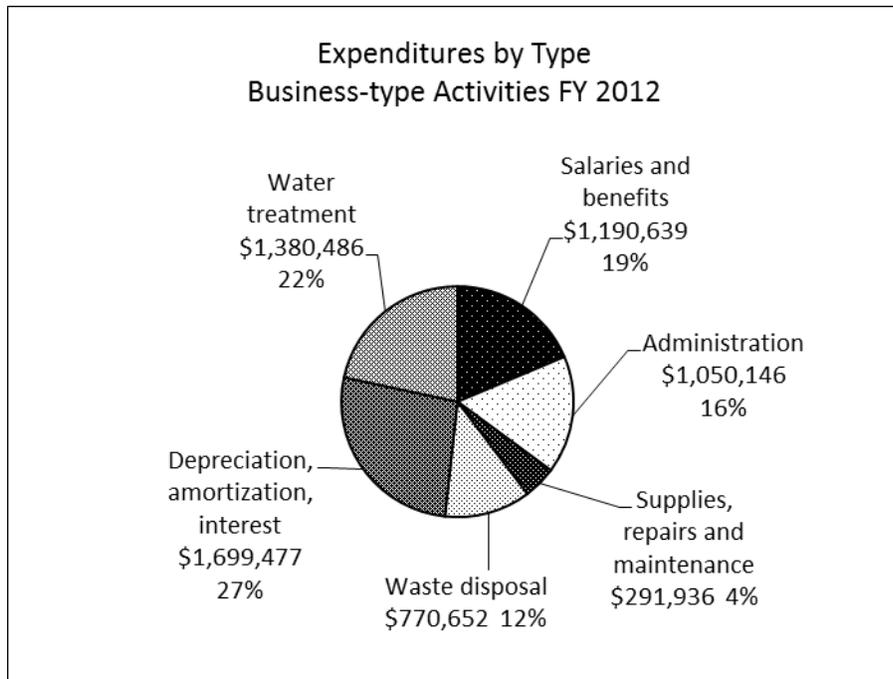


Business-type activities generally charge and receive only the amounts required to cover expenditures of operations plus reserves for future capital improvements.

Midvale City Corporation
Management's Discussion and Analysis (Continued)
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This graph illustrates user charges received for services for each of the separate funds, and grants and contributions for all funds combined.



This graph represents expenses of Business-type Activities. Depreciation for FY 2012 totaled \$959,634, interest expense totaled \$739,843.

Midvale City Corporation
Management's Discussion and Analysis (Continued)
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FINANCIAL ANALYSIS OF MIDVALE CITY'S FUNDS

Midvale City's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources and the unreserved portion of this total fund balance is a measure of the available spendable resources at June 30, 2012.

For the period ending June 30, 2012, the City's governmental funds reported a combined fund balance amount of \$5,171,012, an increase of \$412,801 from June 30, 2011.

Of the total combined fund balance at year-end, \$2,687,317 is unassigned, or available for appropriation. Restricted fund balance of \$812,835 represents unexpended bond proceeds reserved for specific projects and funds held in trust for other agencies. \$1,211,914 is reserved for Special Revenue funds, including the RDA and the Communities Building Communities programs, and \$308,816 is reserved for capital projects.

The General Fund is the main operating fund for Midvale City Corporation. At June 30, 2012, fund balance is \$3,119,831. \$246,921 is restricted for debt service on the Excise Tax Revenue Bonds, and \$185,593 is held in trust for other agencies. The remaining \$2,687,317 is unassigned and available for appropriations. A useful measure of liquidity is to compare the unassigned fund balance to expenditures (including operating transfers out) for the year. Unassigned fund balance is equal to 17% of total expenditures budgeted for FY 2013. The City Council has formally adopted a policy of maintaining unreserved fund balance equal to 15% of General Fund expenditures.

The total fund balance of the General Fund increased by \$607,580 in FY 2012. This was achieved largely by savings resulting from the outsourcing of public safety to UFA and UPD.

The Capital Projects Fund has a total fund balance of \$308,816 at June 30, 2012. The fund balance increased by \$296,345 in Fiscal Year 2012 due to transfers from the General Fund. Expenditures in the Capital Projects Fund include \$835,000 to restore the City's share of the UTOPIA debt service fund, \$630,606 for improvements to city streets, and other capital improvements of \$182,810.

Midvale City Corporation
Management's Discussion and Analysis (Continued)
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The Redevelopment Agency (RDA) of Midvale City has a decrease in fund balance of \$464,793. Revenues from property taxes and interest income were sufficient to cover debt service expenses, and beginning in FY 2013, revenues are expected to cover operations as well. The RDA administers development on two project areas, generally located between Midvale's northern and southern borders, from 700 West to the Jordan River. Fiscal Year 2012 is the third year the agency received property tax revenues (\$1,771,440). The RDA issued revenue bonds in the amount of \$27 million in FY 2010 in order to reimburse developers for extraordinary development costs. Security for these bonds and the source of repayment is property tax revenues in future years. The fund balance at the end of the year is \$1,703,442.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the City's proprietary funds totaled \$6,097,111 for Public Utilities (water and sewer), \$463,151 for Storm Water, \$1,047,437 for Sanitation, and \$56,490 for Telecommunications. Ambulance operations were transferred to UFA.

The City operates an Internal Service Fund for fleet operations. Departments utilizing City vehicles pay a pre-determined amount monthly into the fund for fuel, repairs and maintenance, and a reserve for replacement of retiring vehicles. Detailed information for this fund is included with the Proprietary Funds. The Fleet Fund had unrestricted fund balance of \$1,038,709 as of June 30, 2012.

GENERAL FUND BUDGETARY HIGHLIGHTS

Midvale City amends its budget as needed throughout the year in order to refine estimates and appropriate grant monies received after the original budget has been finalized. Differences between the original and final amended budgets for FY 2012 reflect the following:

- Tax revenues decreased by \$1,864,600 due to the reclassification of shared revenues originally included as a fire related expenditure. This represents property taxes collected by Midvale City on behalf of UFA. In FY 2013, the UFA will collect those property taxes directly from Midvale City taxpayers.
- Intergovernmental revenues increased by \$346,000. This represents unexpended grants from FY 2011 which was available to spend in FY 2012.
- Transfers out increased by \$768,200, generally reflecting the transfer of the UTOPIA pledge payment to the Capital Projects fund.

Midvale City Corporation
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- Budgeted expenditures decreased by \$2,022,600. The largest component (\$1,864,600) of the decrease is the reclassification of shared tax revenues explained above. \$766,000 was reclassified from debt service principal to “transfers out”, as the UTOPIA pledge was paid from the Capital Projects fund.
- Actual General Fund revenues were \$760,199 below budget. Tax revenues fell short of estimates by \$218,983, and fines and forfeitures were \$408,830 below estimates.
- Actual expenditures were \$487,480 below budget. Some of the savings comes from expenditures related to grant programs and will be rolled over to FY 2013.

CAPITAL ASSET AND DEBT ADMINISTRATION

Midvale City’s investment in capital assets is \$127,306,806 (\$104,254,700 net of related debt) as of June 30, 2012. Types of assets included in this category are land, land improvements, buildings, machinery and equipment, park and other recreation facilities, roads (including curb and gutter, sidewalk, and storm drain), street lights, traffic signals, water and waste water distribution and collection systems, and bridges. The chart below shows the various components of Capital Assets net of depreciation.

	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
Land and water rights	\$ 60,767,981	\$ 60,767,981	\$ 3,196,361	\$ 3,196,361
Infrastructure	20,103,018	20,984,063	2,540,982	2,555,318
Buildings	6,945,560	7,146,143	1,789,134	127,585
Improvements other than buildings	768,242	807,532	25,637,342	24,331,709
Machinery and equipment	733,684	3,049,686	43,242	53,089
Construction in progress	201,189	19,953	4,580,071	3,138,691
Total	\$ 89,519,674	\$ 92,775,358	\$ 37,787,132	\$ 33,402,753

Midvale City’s long-term debt, including compensated absences and unamortized premiums, is \$52,197,834, well below the City’s legal debt capacity imposed by the state. New debt issued in FY 2012 includes:

- \$1,537,000 issued to refund Series 2007 Water and Sewer revenue bonds (maturing in 2027)
- \$169,737 representing the balance due to the Utah Infrastructure Agency from related notes receivable

Midvale City Corporation
Management's Discussion and Analysis (Continued)
June 30, 2012

Remaining debt issued in prior years includes:

- General obligation bonds (\$2,705,000), maturing September 2019
- Excise tax revenue bonds (\$1,880,000), maturing April 2019
- 2007 Water and Sewer Revenue Bonds (\$10,630,000), maturing October 2032
- 2010 Water and Sewer Revenue Bonds (\$7,860,000), maturing October 2030
- RDA Revenue Bonds (\$26,235,000), maturing May 2034
- Commitment to Salt Lake County for the relocation of flood channels (\$240,000)
- Capital lease for fluoridation equipment (\$67,461)
- Compensated absences including vacation (\$330,550), payable to employees upon termination of employment

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Sales tax revenues are improving, and are currently at pre-recession levels. Several new retailers opened shop in Midvale City in FY 2012, including Dick's Sporting Goods, See's Candy, and other restaurants and stores in the newly remodeled Fort Union Family Center. The City is projecting an increase in sales tax revenues of 4 percent in FY 2013.

Midvale posted the highest growth percentage increase in Utah from 2010 to 2011: 303% for new residential and 518% for nonresidential. Permits were issued for 341 residential dwelling units. Nonresidential growth was valued at \$23.9 million in 2011. Additional rooftops in the Bingham Junction development build the case for retail development to follow. New employers are adding people to increase the job base and "daytime populations" that eat and shop in Midvale.

The FY 2012 budget funded necessary increases in health and liability insurance, retirement benefits, utilities, fuel, supplies, services, etc. The General Fund fund balance (rainy day fund) was restored, approaching the highest level allowed by State law. Requests for 5 additional personnel were approved. Merit increases (averaging 3.75%) were funded for employees for the first time in three years.

The rate structures for water and sewer were modified to reduce the amount of water allowed in the monthly base fee. Customers were previously allowed 6,000 gallons of water at no additional charge, that amount has been reduced to 4,000. Base rates for water were increased by 10 percent for some service areas, but not all. Base rates for sewer were decreased by 6 percent for some service areas, but not all. The additional revenue anticipated from lowering allowed base consumption is expected to cover operations costs and fund future capital improvements.

Midvale City Corporation
Management's Discussion and Analysis (Continued)
June 30, 2012

The monthly fees for the Storm Water Utility fund were increased by 25 percent, from \$3.25 per equivalent residential unit to \$4.05 per equivalent residential unit. This is the first time that fee has been increased since the establishment of the Storm Water Utility Fund in 2004.

The City's solid waste fee has not been increased since Fiscal year 2002. With proposed increases from our contractors, it became necessary to increase the monthly rate for services by 15 percent.

Capital projects funded include improvements to intersections at the Union Park Avenue I-215 exchange and the 7200 S. I-15 exchange. Programs that were discontinued due to the recession, such as curb/gutter and sidewalk replacement, were restored.

In October of 2012, the city issued bonds through its Municipal Building Authority to construct a new city hall and justice court building on the site currently occupied by Dahl Field. The baseball field will be relocated on Bingham Junction. The estimated completion date of the new facility is spring of 2014. Other major projects planned include a new park on Bingham Junction and improvements to the existing Midvale City park. Due to the upcoming maturities of previous bond issuances, no property tax increase will be required.

The bond includes proceeds to fund energy efficient street lighting improvements and new street lights throughout the city. In order to service the debt, Midvale residents and businesses will be asked to pay a modest fee of \$2.00 per month for residential properties and \$6.00 per month for commercial properties.

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of Midvale City Corporation's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the Director of Administrative Services, 655 W. Center Street, Midvale, Utah 84047.

MIDVALE CITY CORPORATION
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 6,070,036	\$ 4,159,538	\$ 10,229,574
Receivables (net of allowance for uncollectibles):			
Accounts and taxes	4,384,172	1,042,348	5,426,520
Due from other governments	295,641	31,707	327,348
Internal balances	28,476	(28,476)	-
Prepays and deposits	15,196	349,603	364,799
Restricted cash	812,835	1,194,841	2,007,676
Equity investment in joint ventures	-	2,811,345	2,811,345
Note receivable	-	47,184	47,184
Land held for resale	150,130	-	150,130
Capital assets not being depreciated:			
Water stock	-	3,081,299	3,081,299
Land	60,767,981	115,062	60,883,043
Construction in progress	201,189	4,580,071	4,781,260
Capital assets, net of accumulated depreciation:			
Buildings	6,945,560	1,789,134	8,734,694
Improvements other than buildings	768,242	25,637,342	26,405,584
Equipment	733,684	43,242	776,926
Infrastructure	20,103,018	2,540,982	22,644,000
Deferred charges	700,620	451,437	1,152,057
Total assets	<u>101,976,780</u>	<u>47,846,659</u>	<u>149,823,439</u>
LIABILITIES			
Accounts payable	1,278,874	353,548	1,632,422
Accrued liabilities	1,308,159	46,623	1,354,782
Accrued interest payable	287,904	245,007	532,911
Unearned revenue:			
Property taxes	2,952,934	-	2,952,934
Customer deposits	-	950	950
Noncurrent liabilities:			
Due within one year	1,535,630	914,656	2,450,286
Due in more than one year	30,013,374	19,734,174	49,747,548
Total liabilities	<u>37,376,875</u>	<u>21,294,958</u>	<u>58,671,833</u>
NET ASSETS			
Invested in capital assets, net of related debt	85,367,188	18,887,512	104,254,700
Restricted for:			
Capital projects and redevelopment	812,835	-	812,835
Unrestricted	(21,580,118)	7,664,189	(13,915,929)
Total net assets	<u>\$ 64,599,905</u>	<u>\$ 26,551,701</u>	<u>\$ 91,151,606</u>

The accompanying notes are an integral part of this financial statement.

MIDVALE CITY CORPORATION
Statement of Activities
For the Year Ended June 30, 2012

Function/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 4,330,929	\$ 1,824,036	\$ 591,789	\$ -	\$ (1,915,104)		\$ (1,915,104)
Public safety	5,518,046	1,527,068	150,290	-	(3,840,688)		(3,840,688)
Highways and public improvements	3,856,315	20,741	-	1,274,142	(2,561,432)		(2,561,432)
Parks, recreation and public property	762,234	37,938	-	-	(724,296)		(724,296)
Redevelopment	395,210	-	-	-	(395,210)		(395,210)
Interest on long-term debt	1,184,312	-	-	-	(1,184,312)		(1,184,312)
Total governmental activities	16,047,046	3,409,783	742,079	1,274,142	(10,621,042)		(10,621,042)
Business-type activities							
Utility	4,657,700	5,143,264	-	126,827		\$ 612,391	612,391
Storm water	758,040	639,109	-	70,907		(48,024)	(48,024)
Sanitation	930,805	855,133	-	-		(75,672)	(75,672)
Telecom	8,669	17,975	-	-		9,306	9,306
Ambulance	28,122	-	-	-		(28,122)	(28,122)
Equity investment income (loss)	170,218	-	-	-		(170,218)	(170,218)
Total business-type activities	6,553,554	6,655,481	-	197,734		299,661	299,661
General Revenues:							
Taxes							
Property taxes					4,182,241	-	4,182,241
Sales taxes					5,179,475	-	5,179,475
Telecommunications and franchise taxes					2,440,941	-	2,440,941
Interest income					64,497	48,100	112,597
Gain on sale and disposal of assets					151,453	-	151,453
Miscellaneous					26,634	-	26,634
Special item:							
Transfer of public safety function to other government					(3,237,418)	-	(3,237,418)
Transfers - net					(83,104)	83,104	-
Total general revenue and transfers					8,724,719	131,204	8,855,923
Change in net assets					(1,896,323)	430,865	(1,465,458)
Net assets - beginning					66,496,228	26,120,836	92,617,064
Net assets - ending					\$ 64,599,905	\$ 26,551,701	\$ 91,151,606

The accompanying notes are an integral part of this financial statement.

MIDVALE CITY CORPORATION
Balance Sheet – Governmental Funds
June 30, 2012

	<u>Special Revenue</u>				
	<u>General</u>	<u>Capital Projects</u>	<u>Redevelopment Agency</u>	<u>Communities Building Communities (Nonmajor)</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents					
Unrestricted	\$ 3,360,935	\$ 413,005	\$ 1,182,492	\$ 15,798	\$ 4,972,230
Restricted	432,514	-	380,321	-	812,835
Due from other funds	28,476	-	-	-	28,476
Receivables, net:					
Accounts receivable	143,941	-	-	-	143,941
Taxes	2,221,231	-	2,019,000	-	4,240,231
Intergovernmental	269,116	-	-	26,525	295,641
Deposits	15,196	-	-	-	15,196
Land held for resale	-	-	150,130	-	150,130
Total assets	\$ 6,471,409	\$ 413,005	\$ 3,731,943	\$ 42,323	\$ 10,658,680
LIABILITIES					
Accounts payable	\$ 1,125,619	\$ 101,314	\$ 4,653	\$ 241	\$ 1,231,827
Accrued liabilities	1,292,025	2,875	4,848	3,159	1,302,907
Unearned revenue:					
Property taxes	933,934	-	2,019,000	-	2,952,934
Total liabilities	3,351,578	104,189	2,028,501	3,400	5,487,668
FUND BALANCE					
Nonspendable	-	-	150,130	-	150,130
Restricted for:					
Capital projects	432,514	-	-	-	432,514
Redevelopment	-	-	380,321	-	380,321
Total restricted	432,514	-	380,321	-	812,835
Assigned to:					
Special revenue funds	-	-	1,172,991	38,923	1,211,914
Capital projects funds	-	308,816	-	-	308,816
Total assigned	-	308,816	1,172,991	38,923	1,520,730
Unassigned	2,687,317	-	-	-	2,687,317
Total fund balances	3,119,831	308,816	1,703,442	38,923	5,171,012
Total liabilities and fund balances	\$ 6,471,409	\$ 413,005	\$ 3,731,943	\$ 42,323	\$ 10,658,680

The accompanying notes are an integral part of this financial statement.

MIDVALE CITY CORPORATION
Reconciliation of the Balance Sheet of Governmental Funds To The Statement of Net Assets
June 30, 2012

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

Total Fund Balances - Total Governmental Funds (page 22)	\$ 5,171,012
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$121,546,456 less the accumulated depreciation of \$32,026,782.	89,519,674
Other long-term assets are not available for current period expenditures and are therefore deferred in the funds balance sheet.	700,620
Interest on general obligation and lease revenue bonds is not accrued in governmental funds but rather is recognized as an expenditure when due.	(287,904)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(31,549,004)
Internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.	<u>1,045,507</u>
Net Assets - Governmental Activities (page 20)	<u><u>\$ 64,599,905</u></u>

The accompanying notes are an integral part of this financial statement.

MIDVALE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue</u>				Total Governmental Funds
	General	Capital Projects	Redevelopment Agency	Communities Building Communities (Nonmajor)	
REVENUES					
Taxes	\$ 10,031,217	\$ -	\$ 1,771,440	\$ -	\$ 11,802,657
Licenses and permits	633,944	-	-	-	633,944
Intergovernmental	1,414,736	30,663	-	99,657	1,545,056
Charges for service	1,507,714	-	-	16,955	1,524,669
Fines and forfeitures	1,251,170	-	-	-	1,251,170
Interest income	30,886	11,251	12,657	140	54,934
Miscellaneous	20,234	-	-	6,400	26,634
Total revenues	14,889,901	41,914	1,784,097	123,152	16,839,064
EXPENDITURES					
General government	4,066,517	-	-	-	4,066,517
Public safety	5,372,135	-	-	-	5,372,135
Highways and public improvements	1,032,937	-	-	-	1,032,937
Parks, recreation, and public property	706,112	-	-	-	706,112
Redevelopment	-	-	395,210	-	395,210
Community development	-	-	-	149,483	149,483
Capital outlay	-	813,417	-	-	813,417
Debt service:					
Principal	662,765	-	780,000	-	1,442,765
Interest	218,154	-	1,007,677	-	1,225,831
Pledge payment - interlocal guarantee agreement	-	835,000	-	-	835,000
Total expenditures	12,058,620	1,648,417	2,182,887	149,483	16,039,407
Excess (deficiency) of revenues over (under) expenditures	2,831,281	(1,606,503)	(398,790)	(26,331)	799,657
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	148,261	-	-	-	148,261
Special item - public safety transfer	(1,469,898)	-	-	-	(1,469,898)
Transfers in	1,047,968	1,902,848	-	-	2,950,816
Transfers out	(1,950,032)	-	(66,003)	-	(2,016,035)
Total other financing sources (uses)	(2,223,701)	1,902,848	(66,003)	-	(386,856)
Net change in fund balance	607,580	296,345	(464,793)	(26,331)	412,801
Fund balance at beginning of year	2,512,251	12,471	2,168,235	65,254	4,758,211
Fund balance at end of year	\$ 3,119,831	\$ 308,816	\$ 1,703,442	\$ 38,923	\$ 5,171,012

The accompanying notes are an integral part of this financial statement.

MIDVALE CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities (page 22) are different because:

Net change in fund balances - total governmental funds (page 24)	\$	412,801
Governmental funds report capital outlays as expenditures and do not report capital contributions, as they are not financial assets. However, in the statement of activities the cost of capital outlays is allocated over their estimated useful lives and reported as depreciation expense, and capital contributions are reported as assets and revenue. This is the amount by which depreciation exceeded capital outlays and contributions in the current period.		(970,982)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,442,909
The net revenue of certain activities of the Internal Service Fund is reported with governmental activities.		(2,804,160)
The net book value of capital assets and compensated absences liability related to public safety employees was transferred to another government.		<u>23,109</u>
Change in net assets of governmental activities (page 21)	\$	<u><u>(1,896,323)</u></u>

The accompanying notes are an integral part of this financial statement.

MIDVALE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual – General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 12,114,800	\$ 10,250,200	\$ 10,031,217	\$ (218,983)
Licenses and permits	557,000	557,000	633,944	76,944
Intergovernmental	1,357,600	1,703,600	1,414,736	(288,864)
Charges for services	1,466,800	1,466,800	1,507,714	40,914
Fines and forfeitures	1,660,000	1,660,000	1,251,170	(408,830)
Interest income	5,000	5,000	30,886	25,886
Miscellaneous	2,000	7,500	20,234	12,734
Total revenues	17,163,200	15,650,100	14,889,901	(760,199)
EXPENDITURES				
General government:				
City council	137,100	144,200	142,444	1,756
Court	716,500	719,000	675,028	43,972
General administration	467,400	467,400	458,638	8,762
Information technology	331,600	323,600	287,441	36,159
Finance	280,000	292,000	291,813	187
Recorder	177,400	162,400	158,608	3,792
City attorney	486,200	468,200	467,898	302
Non-departmental	227,700	223,200	222,422	778
Community and intergovernmental services	234,100	272,200	266,698	5,502
Employee services	83,200	62,300	44,569	17,731
Community and economic development	1,158,700	1,275,600	1,050,958	224,642
Public safety:				
Police	5,225,100	5,307,000	5,280,535	26,465
Fire	1,630,900	97,500	91,600	5,900
Highways and public improvements	1,053,900	1,099,900	1,032,937	66,963
Parks, recreation and public property	710,400	749,100	706,112	42,988
Debt service:				
Principal	1,429,500	663,500	662,765	735
Interest	219,000	219,000	218,154	846
Total expenditures	14,568,700	12,546,100	12,058,620	487,480
Excess (deficiency) of revenues over (under) expenditures	2,594,500	3,104,000	2,831,281	(272,719)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	6,200	147,400	148,261	861
Special item - public safety	(1,589,800)	(1,466,900)	(1,469,898)	(2,998)
Transfers in	1,040,200	1,034,800	1,047,968	13,168
Transfers out	(482,000)	(2,095,000)	(1,950,032)	144,968
Net change in fund balance	\$ 1,569,100	\$ 724,300	607,580	\$ (116,720)
Fund balance at beginning of year			2,512,251	
Fund balance at end of year			\$ 3,119,831	

The accompanying notes are an integral part of this financial statement.

MIDVALE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Redevelopment Agency
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 1,939,300	\$ 1,939,300	\$ 1,771,440	\$ (167,860)
Interest income	9,600	9,600	12,657	3,057
Total revenues	1,948,900	1,948,900	1,784,097	(164,803)
<u>EXPENDITURES</u>				
Redevelopment	2,145,300	2,140,300	124,585	2,015,715
Administration	312,800	312,800	270,625	42,175
Debt service				
Principal	780,000	780,000	780,000	-
Interest	995,000	995,000	1,007,677	(12,677)
Total expenditures	4,233,100	4,228,100	2,182,887	2,045,213
Excess (deficiency) of revenues over (under) expenditures	(2,284,200)	(2,279,200)	(398,790)	1,880,410
<u>OTHER FINANCING SOURCES</u>				
Transfers out	-	(5,000)	(66,003)	(61,003)
Total other financing sources (uses)	-	(5,000)	(66,003)	(61,003)
Net change in fund balance	\$ (2,284,200)	\$ (2,284,200)	(464,793)	\$ 1,819,407
Fund balance at beginning of year			2,168,235	
Fund balance at end of year			\$ 1,703,442	

The accompanying notes are an integral part of this financial statement.

MIDVALE CITY CORPORATION
Statement of Net Assets – Proprietary Funds
June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>					Governmental Activities Internal Service Fund
	Utility	Storm Water	Sanitation	Other Proprietary Funds	Total	
ASSETS						
Current assets:						
Cash and cash equivalents						
Unrestricted	\$ 3,612,572	\$ 546,966	\$ -	\$ -	\$ 4,159,538	\$ 1,097,806
Restricted (bond)	1,194,841	-	-	-	1,194,841	-
Accounts receivable, net	700,982	72,389	89,845	10,147	873,363	-
Due from other government	31,707	-	-	-	31,707	-
Deposits	349,603	-	-	-	349,603	-
Total current assets	<u>5,889,705</u>	<u>619,355</u>	<u>89,845</u>	<u>10,147</u>	<u>6,609,052</u>	<u>1,097,806</u>
Noncurrent assets:						
Restricted assets:						
Accounts receivable, net	-	-	-	168,985	168,985	-
Investment in South Valley Water Reclamation	1,764,344	-	-	-	1,764,344	-
Investment in Trans-Jordan Cities Landfill	-	-	1,047,001	-	1,047,001	-
Unamortized bond issue costs	451,437	-	-	-	451,437	-
Notes receivable, less allowance for doubtful accounts	-	-	-	47,184	47,184	-
Capital assets:						
Land	115,062	-	-	-	115,062	-
Water stock	3,081,299	-	-	-	3,081,299	-
Construction in progress	4,377,507	202,564	-	-	4,580,071	-
Buildings, net	1,789,134	-	-	-	1,789,134	-
Improvements, net	25,637,342	-	-	-	25,637,342	-
Automobiles, net	-	-	-	-	-	250,732
Machinery and equipment, net	43,242	-	-	-	43,242	114,767
Infrastructure, net	-	2,540,982	-	-	2,540,982	-
Total noncurrent assets	<u>37,259,367</u>	<u>2,743,546</u>	<u>1,047,001</u>	<u>216,169</u>	<u>41,266,083</u>	<u>365,499</u>
Total assets	<u><u>\$ 43,149,072</u></u>	<u><u>\$ 3,362,901</u></u>	<u><u>\$ 1,136,846</u></u>	<u><u>\$ 226,316</u></u>	<u><u>\$ 47,875,135</u></u>	<u><u>\$ 1,463,305</u></u>

(Continued)

MIDVALE CITY CORPORATION
Statement of Net Assets – Proprietary Funds (Continued)
June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>					Governmental Activities Internal Service Fund
	Utility	Storm Water	Sanitation	Other Proprietary Funds	Total	
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	\$ 289,922	\$ 2,603	\$ 61,023	\$ -	\$ 353,548	\$ 47,047
Salaries and benefits payable	36,500	10,123	-	-	46,623	5,252
Accrued liabilities	50,027	18,783	-	-	68,810	5,438
Accrued interest payable	245,007	-	-	-	245,007	-
Due to other funds	-	-	28,386	90	28,476	-
Customer deposits	950	-	-	-	950	-
Equipment lease payable	44,555	-	-	-	44,555	-
Notes payable	-	15,000	-	9,291	24,291	-
Bonds payable	777,000	-	-	-	777,000	-
Total current liabilities	<u>1,443,961</u>	<u>46,509</u>	<u>89,409</u>	<u>9,381</u>	<u>1,589,260</u>	<u>57,737</u>
Noncurrent liabilities:						
Accrued liabilities	12,508	4,695	-	-	17,203	1,360
Equipment lease payable	22,906	-	-	-	22,906	-
Notes payable	-	105,000	-	160,445	265,445	-
Bonds payable	19,250,000	-	-	-	19,250,000	-
Unamortized bond premium	178,620	-	-	-	178,620	-
Total noncurrent liabilities	<u>19,464,034</u>	<u>109,695</u>	<u>-</u>	<u>160,445</u>	<u>19,734,174</u>	<u>1,360</u>
Total liabilities	<u>20,907,995</u>	<u>156,204</u>	<u>89,409</u>	<u>169,826</u>	<u>21,323,434</u>	<u>59,097</u>
<u>NET ASSETS</u>						
Invested in capital assets, net of related debt	16,143,966	2,743,546	-	-	18,887,512	365,499
Unrestricted	6,097,111	463,151	1,047,437	56,490	7,664,189	1,038,709
Total net assets	<u>22,241,077</u>	<u>3,206,697</u>	<u>1,047,437</u>	<u>56,490</u>	<u>26,551,701</u>	<u>1,404,208</u>
Total liabilities and net assets	<u>\$ 43,149,072</u>	<u>\$ 3,362,901</u>	<u>\$ 1,136,846</u>	<u>\$ 226,316</u>	<u>\$ 47,875,135</u>	<u>\$ 1,463,305</u>

The accompanying notes are an integral part of this financial statement.

MIDVALE CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds
For the Year Ended June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>					Governmental
	Utility	Storm Water	Sanitation	Other Proprietary Funds	Total	Activities Internal Service Fund
<u>OPERATING REVENUES</u>						
Charges for services	\$ -	\$ -	\$ -	\$ 17,975	\$ 17,975	\$ 737,400
Water sales	3,844,077	-	-	-	3,844,077	-
Sewer charges	1,070,048	-	-	-	1,070,048	-
Storm water charges	-	628,209	-	-	628,209	-
Sanitation charges	-	-	841,999	-	841,999	-
Other	229,139	10,900	13,134	-	253,173	1,985
Total operating revenues	5,143,264	639,109	855,133	17,975	6,655,481	739,385
<u>OPERATING EXPENSES</u>						
Salaries and wages	512,758	280,221	35,760	-	828,739	129,410
Employee benefits	287,546	75,175	(821)	-	361,900	46,713
Administration	675,690	221,075	125,259	28,122	1,050,146	97,433
Supplies	63,078	21,499	-	-	84,577	154,116
Repairs and maintenance	123,908	64,482	10,300	-	198,690	56,015
Waste disposal	-	10,345	760,307	-	770,652	-
Water treatment	1,380,486	-	-	-	1,380,486	-
Telecommunications	-	-	-	8,669	8,669	-
Depreciation and amortization	874,391	85,243	-	-	959,634	264,099
Total operating expenses	3,917,857	758,040	930,805	36,791	5,643,493	747,786
Operating income (loss)	1,225,407	(118,931)	(75,672)	(18,816)	1,011,988	(8,401)
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Interest income	43,688	4,075	108	229	48,100	9,563
Interest expense	(739,843)	-	-	-	(739,843)	-
Equity investment gain/(loss)	(206,623)	-	36,405	-	(170,218)	-
Intergovernmental subsidy	126,827	-	-	-	126,827	-
Gain on disposal of equipment	-	-	-	-	-	3,192
Total nonoperating revenues (expenses)	(775,951)	4,075	36,513	229	(735,134)	12,755
Income before special item, transfers and contributions	449,456	(114,856)	(39,159)	(18,587)	276,854	4,354
Special item:						
Transfer of public safety assets to other government	-	-	-	-	-	(1,790,629)
Transfers in	61,003	-	-	47,184	108,187	-
Transfers out	(10,000)	(5,000)	(5,000)	(5,083)	(25,083)	(1,017,885)
Capital contributions	-	70,907	-	-	70,907	-
Change in net assets	500,459	(48,949)	(44,159)	23,514	430,865	(2,804,160)
Total net assets - beginning	21,740,618	3,255,646	1,091,596	32,976	26,120,836	4,208,368
Total net assets - ending	\$ 22,241,077	\$ 3,206,697	\$ 1,047,437	\$ 56,490	\$ 26,551,701	\$ 1,404,208

The accompanying notes are an integral part of this financial statement.

MIDVALE CITY CORPORATION
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Utility	Storm Water	Sanitation	Other Proprietary Funds	Total	
Cash flows from operating activities						
Receipts from customers	\$ 4,847,457	\$ 634,294	\$ 847,464	\$ 149,960	\$ 6,479,175	\$ -
Receipts from interfund services	-	-	-	-	-	739,385
Payments to suppliers	(2,354,169)	(191,070)	(808,860)	(40,624)	(3,394,723)	(301,153)
Payments for interfund services	(457,000)	(134,300)	(90,200)	-	(681,500)	-
Payments to employees	(792,440)	(361,605)	(41,390)	-	(1,195,435)	(180,221)
Net cash provided (used) by operating activities	1,243,848	(52,681)	(92,986)	109,336	1,207,517	258,011
Cash flows from noncapital financing activities						
Transfers from other funds	61,003	-	-	-	61,003	-
Transfers to other funds	(10,000)	(5,000)	(5,000)	(5,083)	(25,083)	(1,017,885)
Due from / to other funds	-	-	28,386	(104,482)	(76,096)	-
Net cash provided (used) by noncapital financing activities	51,003	(5,000)	23,386	(109,565)	(40,176)	(1,017,885)
Cash flows from capital and related financing activities						
Purchase of capital assets	(5,216,401)	(15,507)	-	-	(5,231,908)	(52,630)
Proceeds from sale of capital assets	-	-	-	-	-	3,502
Proceeds from issuance of debt	1,537,000	-	-	-	1,537,000	-
Principal paid on capital debt	(2,272,930)	(15,000)	-	-	(2,287,930)	-
Interest paid on capital debt	(731,900)	-	-	-	(731,900)	-
Intergovernmental bond interest subsidy	126,827	-	-	-	126,827	-
Net cash provided (used) by capital and related financing activities	(6,588,405)	(30,507)	-	-	(6,618,912)	(49,128)
Cash flows from investing activities						
Interest received	43,688	4,075	108	229	48,100	9,563
Investments in joint ventures	(273,323)	-	-	-	(273,323)	-
Net cash provided (used) by investing activities	(229,635)	4,075	108	229	(225,223)	9,563
Net increase (decrease) in cash and cash equivalents	(5,523,189)	(84,113)	(69,492)	-	(5,676,794)	(799,439)
Cash and cash equivalents, beginning of year	10,330,602	631,079	69,492	-	11,031,173	1,897,245
Cash and cash equivalents, end of year	\$ 4,807,413	\$ 546,966	\$ -	\$ -	\$ 5,354,379	\$ 1,097,806
Unrestricted cash	\$ 3,612,572	\$ 546,966	\$ -	\$ -	\$ 4,159,538	\$ 1,097,806
Restricted cash	1,194,841	-	-	-	1,194,841	-
	\$ 4,807,413	\$ 546,966	\$ -	\$ -	\$ 5,354,379	\$ 1,097,806

(Continued)

MIDVALE CITY CORPORATION
Statement of Cash Flows – Proprietary Funds (Continued)
For the Year Ended June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>					Governmental Activities Internal Service Fund
	<u>Utility</u>	<u>Storm Water</u>	<u>Sanitation</u>	<u>Other Proprietary Funds</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 1,225,407	\$ (118,931)	\$ (75,672)	\$ (18,816)	\$ 1,011,988	\$ (8,401)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	874,391	85,243	-	-	959,634	264,099
Changes in assets and liabilities:						
Accounts receivable	(207,086)	(5,179)	(7,763)	141,291	(78,737)	-
Deposits	(90,231)	-	-	-	(90,231)	-
Prepays	1,510	364	94	-	1,968	176
Accounts payable	(563,699)	(7,969)	(3,194)	(3,743)	(578,605)	6,235
Note payable, net	-	-	-	(9,396)	(9,396)	-
Accrued liabilities	7,056	(6,209)	(6,451)	-	(5,604)	(4,098)
Customer deposits	(3,500)	-	-	-	(3,500)	-
Net cash provided (used) by operating activities	<u>\$ 1,243,848</u>	<u>\$ (52,681)</u>	<u>\$ (92,986)</u>	<u>\$ 109,336</u>	<u>\$ 1,207,517</u>	<u>\$ 258,011</u>
Capital and related financing activities not affecting cash:						
Developer contribution of capital assets	\$ -	\$ 70,907	\$ -	\$ -	\$ 70,907	\$ -
Transfer of assets to other government	-	-	-	-	-	1,790,629
Transfer of note receivable from general fund	-	-	-	47,184	47,184	-

The accompanying notes are an integral part of this financial statement.

MIDVALE CITY CORPORATION
Notes to the Financial Statements
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The basic financial statements of Midvale City Corporation (“the City”) have been prepared in conformity with accounting principles (GAAP) generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

Midvale City Corporation was incorporated in 1909. The City operates under a Mayor / Council form of government. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). The component units discussed below are included as part of the City’s reporting entity as blended component units.

The Midvale City Redevelopment Agency (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA is governed by a board of trustees composed of the City Mayor and members of the City Council. Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City’s ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.

The Midvale City Municipal Building Authority (MBA) was established to finance and construct municipal buildings that are then leased to the City. The MBA is governed by a five-member board of trustees composed of the City Council. Although it is a legally separate entity from the City, the MBA is reported as if it were part of the primary government because of the City’s ability to impose its will upon the operations of the MBA. The MBA has no assets or liabilities as of June 30, 2012. Separate financial statements are not issued for the MBA.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Governmental funds do not report donated capital assets received unless the sale of those assets is imminent. The assets are reported in the government-wide financial statements.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Justice Court fines assessed prior to year end and collected within 60 days are recognized as revenues in the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by enterprise funds or non-expendable trust funds).

The Redevelopment Agency Special Revenue Fund is used to account for financial resources to be used for the re-vitalization of blighted areas within the City.

The City reports the following major proprietary funds:

The Utility Fund accounts for the activities of the City's water distribution system and sewer operations.

The Storm Water Utility Fund accounts for the activities of the City's storm water operations.

The Sanitation Fund accounts for the activities of the City's sanitation collection operations.

Additionally, the City reports the following funds types:

Special Revenue funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for general and special revenue funds are identical. The City accounts for the Communities Building Communities fund, which was created during 2011, in special revenue funds.

The Internal Service Fund accounts for fleet management services provided to other departments or agencies of the government, on a cost reimbursement basis.

The Ambulance Fund (proprietary fund) accounts for the activities of the City's ambulance services.

The Telecom Fund (proprietary fund) accounts for the activities of the City's UTOPIA operations.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash, Deposits and Investments Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The State Treasurer's Investment Fund operates in accordance with state laws and regulations. The reported value of the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less when purchased meet this definition.

Receivables and Payables Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds".

Ambulance fund accounts receivable are stated at billed charges less the estimated amount determined by the City's historical losses on insurance claims, Medicare adjustments, and the financial stability of its citizens.

Other receivables at June 30, 2012, consist of property tax, franchise tax, sales tax, grants, fines, and accounts (billings for user charged services, including unbilled utility services). Taxes, grants and fines are deemed collectible in full. The allowance for doubtful proprietary account receivables at June 30, 2012 is \$4,000.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

Prepaid Items Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 to 50 years
Infrastructure	10 to 40 years
Improvements other than buildings	20 to 30 years
Machinery and equipment	5 to 30 years

Compensated Absences For governmental funds amounts of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Sick pay amounts are charged to expenditures when incurred. The City amended its Retirement Health Savings Plan in June, 2008. At the end of the first full pay period in January, 50% of accrued sick leave in excess of 480 hours will be contributed to the employee's retirement health savings plan. After this contribution, employees may convert 25 percent of remaining accrued sick leave in excess of 240 hours to vacation leave. Employees may carry a maximum of 120 hours of vacation leave forward to the next calendar year; the balance of unused vacation leave is forfeited. Unused vacation leave and comp time is paid to the employee upon termination.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

Long-Term Obligations In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Restricted Assets Restricted assets are comprised of cash restricted for future payments of principal and interest on debt service as well as unexpended portions of bonds issued for capital construction purposes. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 121,546,456
Accumulated depreciation	<u>(32,026,782)</u>
Total difference	<u><u>\$ 89,519,674</u></u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at June 30, 2012 were:

General Obligation bonds	\$ 2,705,000
Excise tax revenue bonds	1,880,000
Lease revenue bonds	26,235,000
Note payable	120,000
Bond issuance premiums	364,466
Compensated absences	244,538
Total difference	\$ 31,549,004

Explanation of Certain Differences Between Governmental Fund Operating Statements and the Statement of Net Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follow:

Capital outlay	\$ 1,317,870
Depreciation expense	2,288,852
Net difference, as reported	\$ (970,982)

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to May 1, the City Recorder submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution.

After the budget is adopted, the City Manager may transfer any unencumbered or unexpended appropriation amount from one expenditure account to another within a department. The City Council may, by resolution, transfer any unencumbered or unexpended appropriation amount from one department in a fund to another department within the same fund.

When the City Council determines that an emergency exists, such as widespread damage from fire, flood, or earthquake the City Council may increase the budget of the General Fund by resolution or a public hearing.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds. In the General Fund, budgets are adopted at the functional level and budgetary control is exercised at the departmental level. For Special Revenue Funds, budgets are adopted and control is exercised at the level of total expenditures for each individual fund. For Capital Projects Funds, budgets are adopted and control is exercised at the project level.

Annual budgets for the General Fund, all Special Revenue Funds, and all Capital Projects Funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Encumbrances (commitments related to unperformed purchase orders or contracts for goods or services) are used only as an internal management control device during the year. The City does not have any encumbrances outstanding at year end since appropriations lapse at year end. However, encumbered amounts are generally re-appropriated and honored as part of the following year's budget.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of actual versus such budgets for governmental funds.

Tax Revenues

Property taxes are collected by the Salt Lake County Treasurer and remitted to the City in five to six installments in November, December, and January of each fiscal year and a final settlement by March 31st. Taxes are levied and are due and payable on November 1st and delinquent after November 30th of each year at which time they become liens if not paid. An accrual of delinquent current and prior year's property taxes beyond that which was received within 60 days after fiscal year end has not been made, as the amounts are not deemed to be material. An accrual for current year property taxes estimated to be collected the following November and December is made each year.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, semi-annual, or annual basis. An accrual has been made for fees due and payable to the City at June 30th.

4. DETAILED NOTES FOR ALL FUNDS

Cash and Investments

Deposits and investments for the 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.

Custodial Credit Risk

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 the City 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 Council. As of June 30, 2012, \$10,229,248 of the City’s bank balance of \$10,479,248 exceeded the insured levels under FDIC guidelines.

Credit Risk

Credit risk is the risk that the counterparty to an investment 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 City is authorized to invest in the Utah Public Treasurer’s Investment fund (PTIF), an external pooled 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 participant’s average daily balances.

The City has investments held by a trustee in a money market mutual fund (MMMF). The mutual fund invests exclusively in the United States government securities. The City also has investments in an overnight international sweep account.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Credit Risk (Continued)

As of June 30, 2012, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
PTIF	\$ 8,994,562	\$ 8,994,562	\$ -	\$ -	\$ -
MMMF	1,001,598	1,001,598	-	-	-
International Sweep	469,316	469,316	-	-	-
	<u>\$ 10,465,476</u>	<u>\$ 10,465,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2012, the City had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
PTIF	\$ 8,994,562	\$ -	\$ -	\$ -	\$ 8,994,562
MMMF	1,001,598	-	-	-	1,001,598
International Sweep	469,316	-	-	-	469,316
	<u>\$ 10,465,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,465,476</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the 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.

The deposits and investments described above are included on the government-wide statement of net assets as follows:

Cash and cash equivalents	\$ 10,229,574
Restricted cash	<u>2,007,676</u>
	<u>\$ 12,237,250</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Receivables

Receivables as of year end for the City's individual major funds and non-major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds

	<u>General</u>	<u>RDA</u>	<u>Nonmajor funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 2,221,231	\$ 2,019,000	\$ -	\$ 4,240,231
Accounts and other	143,941	-	-	143,941
Intergovernmental	269,116	-	26,525	295,641
	<u>2,634,288</u>	<u>2,019,000</u>	<u>26,525</u>	<u>4,679,813</u>
Gross receivables	2,634,288	2,019,000	26,525	4,679,813
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 2,634,288</u>	<u>\$ 2,019,000</u>	<u>\$ 26,525</u>	<u>\$ 4,679,813</u>

Business-type Funds

	<u>Utility</u>	<u>Storm Water</u>	<u>Sanitation</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Accounts and other	\$ 700,982	\$ 74,389	\$ 91,845	\$ 179,132	\$ 1,046,348
Intergovernmental	31,707	-	-	-	31,707
Notes receivable				1,824,346	1,824,346
	<u>732,689</u>	<u>74,389</u>	<u>91,845</u>	<u>2,003,478</u>	<u>2,902,401</u>
Gross receivables	732,689	74,389	91,845	2,003,478	2,902,401
Less: allowance for uncollectibles	<u>-</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(1,777,162)</u>	<u>(1,781,162)</u>
Net total receivables	<u>\$ 732,689</u>	<u>\$ 72,389</u>	<u>\$ 89,845</u>	<u>\$ 226,316</u>	<u>\$ 1,121,239</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Land Held For Resale

Land acquired by the Redevelopment Agency (a special revenue fund) and held for resale is accounted for as land held for resale. The cost of land held for resale is capitalized until the land is sold. Land transferred from infrastructure assets of the City is recorded at a nominal amount for accountability purposes. If the Redevelopment Agency sells land at an amount greater than or less than the carrying amount, the resulting gain/loss is accounted for as another financing source/use. Gains and losses on sale of land held for resale are recognized when measurable and available.

Loans Receivable

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 government funds were as follows:

	Unavailable	Unearned
Property taxes receivable (General Fund)	\$ 933,934	-
Property taxes receivable (RDA)	2,019,000	-
Total deferred/unearned revenue for governmental funds	\$ 2,952,934	\$ -

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>07/01/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/12</u>
<u>Governmental activities</u>				
Capital assets, not depreciated:				
Land	\$60,767,981	\$ -	\$ -	\$60,767,981
Construction in progress	19,953	415,536	(234,300)	201,189
Total capital assets, not depreciated	<u>60,787,934</u>	<u>415,536</u>	<u>(234,300)</u>	<u>60,969,170</u>
Capital assets, depreciated:				
Buildings	10,087,593	6,499	-	10,094,092
Improvements other than buildings	1,134,589	-	-	1,134,589
Infrastructure	44,914,825	837,226	234,300	45,986,351
Machinery and equipment	8,970,873	111,236	(5,719,855)	3,362,254
Total capital assets, depreciated	<u>65,107,880</u>	<u>954,961</u>	<u>(5,485,555)</u>	<u>60,577,286</u>
Accumulated depreciation:				
Buildings	(2,941,450)	(207,082)	-	(3,148,532)
Improvements other than buildings	(327,057)	(39,290)	-	(366,347)
Infrastructure	(23,930,762)	(1,952,571)	-	(25,883,333)
Machinery and equipment	(5,921,187)	(354,008)	3,646,625	(2,628,570)
Total accumulated depreciation	<u>(33,120,456)</u>	<u>(2,552,951)</u>	<u>3,646,625</u>	<u>(32,026,782)</u>
Total capital assets, depreciated (net)	<u>31,987,424</u>	<u>(1,597,990)</u>	<u>(1,838,930)</u>	<u>28,550,504</u>
Net governmental capital assets	<u>\$92,775,358</u>	<u>\$ (1,182,454)</u>	<u>\$ (2,073,230)</u>	<u>\$89,519,674</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets (Continued)

	<u>07/01/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/12</u>
<u>Business-type activities</u>				
Capital assets, not depreciated:				
Water stock and rights	\$ 3,081,299	\$ -	\$ -	\$ 3,081,299
Land	115,062	-	-	115,062
Construction in progress	3,138,691	2,622,283	(1,180,903)	4,580,071
Total capital assets, not depreciated	<u>6,335,052</u>	<u>2,622,283</u>	<u>(1,180,903)</u>	<u>7,776,432</u>
Capital assets, depreciated:				
Buildings	186,735	1,731,406	-	1,918,141
Improvements other than buildings				
Water	25,908,465	2,609,628	(1,283,373)	27,234,720
Sewer	3,522,385	-	732,870	4,255,255
Infrastructure	3,555,044	70,907	-	3,625,951
Machinery and equipment	176,734	-	-	176,734
Total capital assets, depreciated	<u>33,349,363</u>	<u>4,411,941</u>	<u>(550,503)</u>	<u>37,210,801</u>
Accumulated depreciation:				
Buildings	(59,150)	(50,449)	(19,408)	(129,007)
Improvements other than buildings				
Water	(4,864,130)	(689,306)	19,408	(5,534,028)
Sewer	(235,011)	(83,593)	-	(318,604)
Infrastructure	(999,726)	(85,243)	-	(1,084,969)
Machinery and equipment	(123,645)	(9,848)	-	(133,493)
Total accumulated depreciation	<u>(6,281,662)</u>	<u>(918,439)</u>	<u>-</u>	<u>(7,200,101)</u>
Total capital assets, depreciated (net)	<u>27,067,701</u>	<u>3,493,502</u>	<u>(550,503)</u>	<u>30,010,700</u>
Net business-type capital assets	<u>\$33,402,753</u>	<u>\$ 6,115,785</u>	<u>\$ (1,731,406)</u>	<u>\$37,787,132</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

In the government-wide financial statements depreciation was charged as follows by program or activity:

Governmental activities:	
General government	\$ 73,554
Public safety	144,231
Highways and public improvements	2,279,044
Parks, recreation, and public property	<u>56,122</u>
Total depreciation expense - governmental activities	<u>\$ 2,552,951</u>
Business-type activities:	
Utility	\$ 749,603
Storm water	85,243
Sewer	<u>83,593</u>
Total depreciation expense - business-type activities	<u>\$ 918,439</u>

Investments In And Advances To Joint Ventures

South Valley Water Reclamation Facility The Utility fund has a 6.78% ownership in the South Valley Water Reclamation Facility (SVWRF) which is accounted for by the equity method. SVWRF, a separate legal entity and political subdivision of the State of Utah, was formed pursuant to the provisions of the Interlocal Cooperation Act. SVWRF's membership is comprised of two municipalities and three suburban sanitary improvement districts. In addition to the City, the members consist of West Jordan City, South Valley Sewer District, Sandy Suburban Improvement District and Midvalley Improvement District which have ownership interests of 28.22%, 34.72%, 20.17% and 10.11%, respectively. SVWRF was formed to construct, operate and maintain a regional sewage treatment facility.

In July 2005, the Facility issued Utah Sewer Revenue Bonds, Series 2005 for \$19,425,000. Annual principal payments began August 15, 2006, semiannual interest payments began on February 15, 2006 and are scheduled to be made February 15 and August 15 each year until maturity, at an interest rate of 3.50% to 5.00%. The bonds mature on August 15, 2030. The proceeds from the sale of the Series 2005 Bonds are being used to (i) finance a portion of the costs of construction of certain improvements to the Facility, including the expansion of the capacity of the sewer treatment plant, and (ii) pay certain costs associated with the issuance of the Series 2005 bonds.

The total debt service for the issued bonds is for two entities' (Midvale and West Jordan) obligation for their share of the expansion of the treatment plant. These two entities are billed monthly for principal and interest obligations for their share of debt service requirements. Midvale City's share of the principal balance at June 30, 2012 of \$17,315,852 is \$1,929,673.

The Midvale City Council approved, by resolution, recognition of the obligation for the 2005 sewer revenue bonds issued by SVWRF and to appropriate and pay the debt service obligations.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

SVWRF is governed by its board of directors. Under the organization agreement, each of the five members is entitled to appoint one of SVWRF's five directors. The management is under the Board of Directors, which elects officers and appoints the management staff. During the year ended June 30, 2012, the City contributed capital of \$273,323 to the facility and recorded a \$206,623 loss on joint venture.

The complete financial statements for South Valley Water Reclamation Facility for the year ended December 31, 2011 can be obtained from the South Valley Water Reclamation Facility at 7495 South 1300 West, West Jordan, UT 84084.

Trans-Jordan Cities Landfill The Utility fund has a 5.36% ownership in the Trans-Jordan Cities Landfill which is accounted for by the equity method. In addition to Midvale City, the Trans-Jordan Cities Landfill is owned by the cities of Murray, Sandy, South Jordan, West Jordan, Draper, and Riverton which own 8.62%, 30.53%, 12.18%, 24.41%, 9.31%, and 9.59% of the landfill, respectively. Trans-Jordan Cities Landfill is a separate legal entity and political subdivision of the State of Utah and was formed pursuant to the provisions of the Interlocal Cooperation Act. The City has no firm commitment to make additional equity investments in the Trans-Jordan Cities Landfill.

Trans-Jordan Cities Landfill was formed to construct, operate and maintain a refuse dumping facility. Trans-Jordan is governed by its Board of Directors. Under the organization agreement, the board of directors is appointed by the members. The management is under the board of directors, which elects officers and appoints the management staff. During the year ended June 30, 2012, the City contributed capital of \$-0-, recorded a \$36,405 gain in equity of joint venture, and increased its participating interest by the same amount, resulting in a net increase in its investment of the facility of \$36,405.

The complete financial statements for Trans-Jordan Cities Landfill for the year ended June 30, 2012 can be obtained from the Trans-Jordan Landfill offices, 10873 South 7200 West, South Jordan, UT 84095.

InterLocal Agreements

Valley Emergency Communications Center The City is a member of Valley Emergency Communications Center (the Center). The Center was organized June 30, 1988, as a joint enterprise between the City, Murray City, Salt Lake County, Sandy City, South Jordan City, West Jordan City and West Valley City. The primary purpose of the Center is to fund and operate a communications center which handles communications and other services for the members, including police, fire, 911 service, dispatch and records services.

The Center is governed by a Board of Trustees consisting of one representative from each member appointed by the governing body thereof. The Center's activities are funded by a surcharge tax on telephones within each member's city and member assessments. The Board of Trustees sets assessments for all member agencies in amounts sufficient to provide the funds required by the annual budget. The Center determines the 911 assessments for the telephone users within the member's jurisdictions.

Separate audited financial statements for Valley Emergency Communications Center may be obtained from the Finance Director at 5360 South 5885 West, West Valley City, UT 84118.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

InterLocal Agreements (Continued)

Utah Telecommunications Open Infrastructure Network The City is one of 11 founding members of the Utah Telecommunications Open Infrastructure Network (UTOPIA), formed by an interlocal cooperative agreement organized under the laws of the State of Utah. UTOPIA was created to design, finance, build, operate and maintain an open, wholesale, public Telecommunication infrastructure that delivers high-speed connections to every home and business in the member communities. UTOPIA is jointly owned by the members. No equity investment has been recorded by the City since UTOPIA continues to report a net assets deficit. As of June 30, 2011 the net assets deficit was \$120,118,562. The audited financial statements for UTOPIA as of June 30, 2012 have not been released; however, a significant net assets deficit is anticipated.

The City is a pledging member and has pledged sales and use tax revenues to partially guarantee payment of UTOPIA's bonds. In return for the pledge, the City will be among the first cities to receive UTOPIA's services. In July 2008, UTOPIA issued a \$185,000,000 revenue bond. The first two years of bond payments were made from a debt reserve fund. In December 2011, UTOPIA refinanced the bond. From that point on, until the bonds are due in July 2026, net revenues from UTOPIA will reimburse the debt service reserve fund for payments on the bond debt. To the extent that there are insufficient net revenues to pay the debt service, the 11 pledged members are required to reimburse the UTOPIA debt service fund of any shortfall by their respective percentages up to a specific dollar amount. Any amount paid by Pledging Members to UTOPIA to reimburse the debt service reserve fund will be a loan to be repaid by UTOPIA. As of June 30, 2012, the City's percentage of the Debt Service Reserve shortfall was 6.06% and totaled \$1,127,364 (\$348,664 for 2012 and \$778,700 for 2013). Any bonds or debt issued or incurred by UTOPIA will not constitute debt of the City.

The City pledged sales and use tax revenue toward its share of any debt service fund shortfall was 6.06% in January 2012. The City's annual commitment increases by 2% each year, and ranges from \$348,664 in Fiscal Year 2012 to \$1,329,152 in Fiscal Year 2040.

In January 2010, the Trustees of the UTOPIA bond funds notified the City that part of the UTOPIA Debt Service Reserve Fund was used to make required payments to the bondholders. Each month since then the City has received a similar notice. The City understands that these withdrawals will continue for an undetermined period of time and that replenishment payments will continue for the foreseeable future. The City was required to replenish its share of the amount withdrawn from the debt service reserve fund beginning January 2012. Monthly replenishment payments during the year ended June 30, 2012 totaled \$878,054.

According to the Amended and Restated Pledge and Loan Agreement, the amounts withdrawn from the City's share of the debt service fund becomes a loan to UTOPIA. A note receivable of \$1,777,162 was recorded in the telecom fund with an offsetting allowance for doubtful accounts of \$1,777,162. It is currently unclear when UTOPIA will be in position to repay the note.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

InterLocal Agreements (Continued)

Utah Infrastructure Agency The City is one of eight member cities of the Utah Infrastructure Agency (UIA), formed by an interlocal cooperative agreement organized under the laws of the State of Utah. The UIA was established on July 6, 2010, for the purpose of financing, constructing, equipping, and operating an open, wholesale, advanced communications infrastructure utility system throughout the City and interconnection with other members of the UIA. The UIA issued debt of approximately \$25 million in January of 2011, and may issue an additional \$34 million as stated benchmarks are reached. The City pledged sales and use tax revenue toward its share of any debt service fund shortfall. The anticipated pledge amount is 6.06% of the annual debt service fund shortfall. Any bonds or debt issued or incurred by UIA will not constitute debt of the City.

Unified Police Department (UPD) The UPD is a Police Department, run by the Salt Lake County Sheriff, that serves the following Salt Lake County entities: City of Holladay, Riverton City, Herriman City, Midvale City, and the unincorporated areas of Salt Lake County. The UPD allows communities to have comprehensive police services at a fraction of the cost of maintaining their own police force. By combining a variety of police services such as SWAT, forensics, records, canine, and media services under one organization, communities can share the costs with other communities, saving local governments and reducing the tax burden of citizens.

The UPD is run by a Board of Directors consisting of elected officials from the communities served. Day-to-day operations are run by the Sheriff. In addition to managing shared services, the Sheriff oversees local precincts, each with its own Chief who is chosen by each respective community. Chiefs run each local precinct and have authority over local operations such as Community Oriented Policing, traffic, patrol, and crossing guards. This flexible structure allows participating communities to take advantage of the cost savings and efficiencies of pooled services while retaining local control over precinct-level operations.

The annual budget for the UPD is formally adopted by the UPD Board of Directors, of which the Midvale City Mayor is a full member with full voting rights.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Interfund Receivable, Payables and Transfers

At June 30, 2012, interfund balances due to or from other funds was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Sanitation proprietary fund	\$ 28,386
	Nonmajor proprietary fund	90
		<u>\$ 28,476</u>

In addition to the above amounts which will be repaid by the respective funds, transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2012 were as follows:

<u>Fund Transferring Out</u>	<u>Fund Receiving Transfer</u>	<u>Amount</u>
General fund	Major capital projects fund	\$ 1,902,848
General fund	Nonmajor enterprise fund	47,184
Internal service fund	General fund	1,017,885
Utility enterprise fund	General fund	10,000
Storm water enterprise fund	General fund	5,000
Sanitation enterprise fund	General fund	5,000
Nonmajor enterprise fund	General fund	5,083
Redevelopment agency	Utility enterprise fund	61,003
Redevelopment agency	General fund	5,000
		<u>\$ 3,059,003</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and are pledged by the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Bond Description</u>	<u>Original Issue</u>	<u>Annual Principal</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Amount at 6/30/12</u>
Public Safety Series 2005	<u>\$ 3,370,000</u>	\$20,000 to \$395,000	3.00% to 5.00%	9/15/2019	<u>\$ 2,705,000</u>
	<u>\$ 3,370,000</u>				<u>\$ 2,705,000</u>

General obligation bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 290,000	\$ 113,645	\$ 403,645
2014	300,000	101,845	401,845
2015	315,000	89,230	404,230
2016	330,000	74,778	404,778
2017	340,000	60,140	400,140
2018 - 2020	<u>1,130,000</u>	<u>78,600</u>	<u>1,208,600</u>
	<u>\$2,705,000</u>	<u>\$ 518,238</u>	<u>\$ 3,223,238</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Revenue Bonds

The City has issued bonds where the revenues and assets of the issuing fund are pledged as security for the bonds. During the year ended June 30, 2012, the City refunded the series 2007A bonds with the series 2012 bonds for \$1,537,000. \$31,000 was paid for the cost of issuing the bonds, which were capitalized and will be amortized over the remaining life of the bonds.

Revenue bonds outstanding at June 30, 2012 by issue are as follows:

<u>Bond Description</u>	<u>Original Issue</u>	<u>Annual Principal</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Amount at 6/30/12</u>
RDA Revenue Series 2010A	\$ 3,250,000	\$765,000 to \$870,000	2.75% to 5.00%	5/1/2015	\$ 2,485,000
RDA Revenue Series 2010B (BAB)	23,750,000	\$900,000 to \$1,730,000	4.01% to 6.25%	5/1/2034	23,750,000
Excise Tax Series 2009	2,335,000	\$225,000 to \$300,000	4.00% to 5.00%	4/1/2019	1,880,000
Water and Sewer Series 2007B	6,650,000	\$150,000 to \$435,000	3.80% to 5.00%	10/1/2032	6,000,000
Water and Sewer Series 2007C	5,050,000	\$208,000 to \$303,000	2.00% to 2.00%	10/1/2029	4,630,000
Water and Sewer Series 2010A	1,555,000	\$290,000 to \$335,000	2.00% to 4.00%	10/1/2015	1,265,000
Water and Sewer Series 2010B (BAB)	6,595,000	\$345,000 to \$565,000	4.01% to 6.09%	10/1/2030	6,595,000
Water and Sewer Series 2012	<u>1,537,000</u>	\$85,000 to \$124,000	2.90%	4/1/2027	<u>1,537,000</u>
	<u>\$50,722,000</u>				<u>\$48,142,000</u>

Build America Bonds (“BAB”) are federally taxable but the City receives a subsidy from the Internal Revenue Service equal to 35% of the interest paid. Total interest subsidy is \$7,865,985 for the RDA Revenue Bond Series 2010B and \$1,844,505 for the Water and Sewer Series 2010B, over the life of the bonds.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Revenue Bonds (Continued)

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 1,812,000	\$ 2,322,569	\$ 4,134,569
2014	1,871,000	2,270,616	4,141,616
2015	1,948,000	2,192,531	4,140,531
2016	2,034,000	2,115,054	4,149,054
2017	2,088,000	2,036,657	4,124,657
2018 -2022	10,545,000	8,834,062	19,379,062
2023 -2027	11,768,000	6,335,016	18,103,016
2028 -2032	12,251,000	3,086,152	15,337,152
2033 -2034	3,825,000	329,788	4,154,788
	<u>\$48,142,000</u>	<u>\$29,522,445</u>	<u>\$ 77,664,445</u>

Capital Lease and Notes Payable

The City entered into a capital lease agreement of \$152,765 during 2011 to acquire fire safety equipment. With the transfer of the public safety function to another governmental, the remaining balance of the lease was paid off during the year.

The City entered into a note payable agreement with Salt Lake County for \$300,000 during 2011, payable over 10 years with annual payments of \$30,000. The note bears no interest. The note represents the City's portion of a storm drain capital project completed during 2011. The City recorded \$150,000 of the obligation in both the RDA and Storm Drain funds.

The City also entered into a service contract note payable with UIA, wherein the City will bill and collect connection service fees from end users of UTOPIA located in the City on behalf of UIA. The City is entitled to 5% of the fee for administrative costs and the remaining 95% is due to UIA. The City becomes a signatory party to the end user agreement, along with UIA and the end user. The City is responsible for collection of the user fees stipulated in the agreement should the end user default. At June 30, 2012, the note payable balance for services fees collected was \$169,736. During 2012, the City created an enterprise fund (telecom) to account for the activity of this service contract.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>07/01/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/12</u>	<u>Due in One Year</u>
<u>Governmental activities</u>					
Bonds payable:					
Excise tax revenue	\$ 2,110,000	\$ -	\$ (230,000)	\$ 1,880,000	\$ 240,000
Lease revenue	27,000,000	-	(765,000)	26,235,000	795,000
General obligation	2,985,000	-	(280,000)	2,705,000	290,000
Add: unamortized premium	393,641	-	(29,175)	364,466	-
Total bonds payable	32,488,641	-	(1,304,175)	31,184,466	1,325,000
Note payable	135,000	-	(15,000)	120,000	15,000
Capital lease	152,765	-	(152,765)	-	-
Compensated absences	544,820	135,574	(435,856)	244,538	195,630
Governmental activities, long-term liabilities	<u>\$ 33,321,226</u>	<u>\$ 135,574</u>	<u>\$(1,907,796)</u>	<u>\$ 31,549,004</u>	<u>\$ 1,535,630</u>
<u>Business-type activities</u>					
Bonds payable:					
Water and Sewer	\$ 20,720,000	\$ 1,537,000	\$(2,230,000)	\$ 20,027,000	\$ 777,000
Add: unamortized premium	187,842	-	(9,222)	178,620	-
Total bonds payable	20,907,842	1,537,000	(2,239,222)	20,205,620	777,000
Notes payable	135,000	169,737	(15,000)	289,737	24,291
Capital lease	110,391	-	(42,930)	67,461	44,555
Compensated absences	95,077	66,997	(76,062)	86,012	68,810
Business-type activities, long-term liabilities	<u>\$ 21,248,310</u>	<u>\$ 1,773,734</u>	<u>\$(2,373,214)</u>	<u>\$ 20,648,830</u>	<u>\$ 914,656</u>

Compensated absences for governmental activities are generally liquidated by the general fund.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Changes in Long-Term Liabilities (Continued)

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2012:

	Business-type Activities Fluoridation Equipment Lease
Year Ending June 30,	
2013	\$ 46,671
2014	23,336
Total minimum lease payments	70,007
Less: amount representing interest	(2,546)
Present value of net minimum lease payments	\$ 67,461

Other Information

Risk Management The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Utah Local Government Insurance Trust (Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2012 there were no outstanding unpaid claims. Also, the City had no claim settlements during the three years ending June 30, 2012 which exceeded its insurance coverage.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Other Information (Continued)

Redevelopment Agency In connection with the activities of the Redevelopment Agency (RDA), incremental deferred tax revenues totaling \$1,771,440 were generated. The RDA was not required to pay any portion of this revenue to other taxing agencies.

During the year ended June 30, 2012, funds expended by the RDA were limited to the categories of redevelopment, administration costs, and debt service. Administrative costs totaled \$270,625, disbursements to developers totaled \$124,585, and debt service costs totaled \$1,787,677. The redevelopment cost was funded with unspent bond proceeds from a prior year issuance.

Employee Retirement Systems and Pension Plans The City contributes to the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, the Public Safety Retirement System for Employers with Social Security Coverage and the Firefighters Retirement System (hereafter referred to cumulatively as the Systems) which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). The Systems provide retirement benefits, annual cost of living adjustments, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. URS issues a publicly available financial report that includes financial statements and required supplementary information for the Systems.

A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer for the employee) to the respective systems to which they belong. The City is required to contribute a percent of members' annual covered salary to the respective systems; 13.77% to the Local Government Noncontributory Division Tier 1 and 10.33% to the related Local Government Contributory Division Tier 2. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Other Information (Continued)

The City's contributions in dollars to each of the Systems for the years ending June 30, 2012, 2011 and 2010, were equal to the required contributions for each year. The contribution amounts are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Local Governmental Noncontributory Retirement System	\$ 444,233	\$ 449,711	\$ 392,799
Public Safety Retirement System for Employers with Social Security Coverage	17,568	495,250	441,169
Firefighters Retirement System	11,038	318,362	284,791

Deferred Compensation Plan

Under the International City Management Association (ICMA), the City offers its employees a Deferred Compensation Plan (the Plan) in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The payment of deferred compensation is not available to employees until termination, retirement, death, or emergency. The City's contributions to the 457 Deferred Compensation Plan were \$63,918, \$149,253, and \$144,381 for the years ended June 30, 2012, 2011 and 2010, respectively.

401 Retirement Plan

The City also contributes to the International City Management Association (ICMA) Section 401 Qualified Retirement Plan, on behalf of each employee, the difference between the prescribed amount to the state defined benefit contribution rate and the total contribution benefit of 15.55% of earnings. The City's contributions to the ICMA 401 plan were \$18,162, \$248,512, and \$314,233, for the years ended June 30, 2012, 2011 and 2010, respectively.

Retirement Health Savings Plan

The City contributes to the International City Management Association (ICMA) Retirement Corporation's Employer Retirement Health Savings (RHS) Plan, on behalf of the employee, amounts equal to 50% of sick leave earned during the calendar year less sick leave used during the calendar year, for employees with accrued sick leave in excess of 480 hours at the end of the first full pay period in January. The City's contributions to the ICMA RHS plan were \$92,648, \$36,080, and \$39,006 for the years ended June 30, 2012, 2011 and 2010, respectively.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Individual Retirement Accounts (IRA)

Under the Utah Retirement System (URS), the City offers its employees the option to contribute to a traditional or Roth IRA. Employee contributions to these IRAs are generally available to employees, without penalty, after age 59 ½ or for first-time home purchases or college expenses.

5. SPECIAL ITEM

In July 2011, the City chose to join the Unified Police Department (UPD) and Unified Fire Authority (UFA) in an effort to provide a more unified and efficient approach to public safety services across the City. Prior to this date, the City operated its own public safety department, within the general fund. UPD and UFA are separate legal entities, administered outside the boundaries of the City. In order to accomplish this purpose, the City contributed current financial resources composed of cash in the amount of \$1,469,898 and capital asset resources composed of vehicles, buildings and equipment from the general and internal service funds, with net book values of \$282,294 and \$1,790,629, respectively, to the UPD and UFA. In addition, the City's compensated absences obligation to public safety employees of \$305,403 was transferred to the UPD and UFA.

6. SUBSEQUENT EVENT

On October 31, 2012, the Municipal Building Authority of Midvale City issued \$8,990,000 in lease revenue bonds. The bond proceeds, along with a capital contribution from the City of \$1,506,500, will be used for three projects: construction of a new City Hall/Justice Court, upgrading and installing street lights city-wide and constructing new parks. The revenue source for debt service is lease agreements with the City for use of the facilities. The structure of the bond repayment schedule allows the City to keep property taxes at the current level – no tax increase is anticipated for servicing this debt. This is due in part to the maturity of the Series 2005 General Obligation Bonds in fiscal year 2020 and the Series 2005 Excise Tax Bonds in 2019. A monthly street lighting fee of \$2.00 per residence and \$6.00 per business will be imposed beginning January 1, 2013 to cover debt service on the street lighting project.

SUPPLEMENTAL INFORMATION

MIDVALE CITY CORPORATION
Combining Statement of Net Assets – Nonmajor Proprietary Funds
June 30, 2012

	<u>Telecom</u>	<u>Ambulance</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Accounts receivable, net	\$ 10,147	\$ -	\$ 10,147
Total current assets	<u>10,147</u>	<u>-</u>	<u>10,147</u>
Noncurrent assets:			
Accounts receivable, net	168,985	-	168,985
Notes receivable	<u>47,184</u>	<u>-</u>	<u>47,184</u>
Total noncurrent assets	<u>216,169</u>	<u>-</u>	<u>216,169</u>
Total assets	<u>\$ 226,316</u>	<u>\$ -</u>	<u>\$ 226,316</u>
<u>LIABILITIES</u>			
Current liabilities:			
Note payable, current portion	\$ 9,291	\$ -	\$ 9,291
Due to other funds	<u>90</u>	<u>-</u>	<u>90</u>
Total current liabilities	<u>9,381</u>	<u>-</u>	<u>9,381</u>
Noncurrent liabilities:			
Note payable	<u>160,445</u>	<u>-</u>	<u>160,445</u>
Total noncurrent liabilities	<u>160,445</u>	<u>-</u>	<u>160,445</u>
Total liabilities	<u>169,826</u>	<u>-</u>	<u>169,826</u>
<u>NET ASSETS</u>			
Unrestricted	<u>56,490</u>	<u>-</u>	<u>56,490</u>
Total net assets	<u>56,490</u>	<u>-</u>	<u>56,490</u>
Total liabilities and net assets	<u>\$ 226,316</u>	<u>\$ -</u>	<u>\$ 226,316</u>

MIDVALE CITY CORPORATION
Combining Statement of Revenues, Expenses, and Changes in Net Assets –
Nonmajor Proprietary Funds
For the Year Ended June 30, 2012

	<u>Telecom</u>	<u>Ambulance</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Charges for services	\$ 17,975	\$ -	\$ 17,975
Transport charges	-	-	-
Total operating revenues	17,975	-	17,975
<u>OPERATING EXPENSES</u>			
Administration	-	28,122	28,122
Telecommunications	8,669	-	8,669
Total operating expenses	8,669	28,122	36,791
Operating income (loss)	9,306	(28,122)	(18,816)
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	-	229	229
Total nonoperating revenues (expenses)	-	229	229
Income before transfers	9,306	(27,893)	(18,587)
Transfers in	47,184	-	47,184
Transfers out	-	(5,083)	(5,083)
Change in net assets	56,490	(32,976)	23,514
Total net assets - beginning	-	32,976	32,976
Total net assets - ending	\$ 56,490	\$ -	\$ 56,490

MIDVALE CITY CORPORATION
Combining Statement of Cash Flows – Nonmajor Proprietary Funds
For the Year Ended June 30, 2012

	<u>Telecom</u>	<u>Ambulance</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 8,669	\$ 141,291	\$ 149,960
Payments to suppliers	(8,759)	(31,865)	(40,624)
Net cash provided (used) by operating activities	<u>(90)</u>	<u>109,426</u>	<u>109,336</u>
Cash flows from noncapital financing activities			
Transfers to other funds	-	(5,083)	(5,083)
Due from / to other funds	90	(104,572)	(104,482)
Net cash provided (used) by noncapital financing activities	<u>90</u>	<u>(109,655)</u>	<u>(109,565)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Interest received	-	229	229
Net cash provided (used) by investing activities	<u>-</u>	<u>229</u>	<u>229</u>
Net increase (decrease) in cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 9,306	\$ (28,122)	\$ (18,816)
Changes in assets and liabilities:			
Accounts receivable	-	141,291	141,291
Accounts payable	-	(3,743)	(3,743)
Notes payable, net	(9,396)	-	(9,396)
Net cash provided (used) by operating activities	<u>\$ (90)</u>	<u>\$ 109,426</u>	<u>\$ 109,336</u>
Noncapital and related financing activities not affecting cash:			
Transfer of note receivable from general fund	\$ 47,184	\$ -	\$ 47,184

MIDVALE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Capital Projects Fund (Major Fund)
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Intergovernmental	\$ -	\$ -	\$ 30,663	\$ 30,663
Interest income	3,000	3,000	11,251	8,251
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>41,914</u>	<u>38,914</u>
<u>EXPENDITURES</u>				
Capital outlay	485,000	1,897,000	813,417	1,083,583
Pledge payment - interlocal guarantee agreement	-	1,306,000	835,000	471,000
Total expenditures	<u>485,000</u>	<u>3,203,000</u>	<u>1,648,417</u>	<u>1,554,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(482,000)</u>	<u>(3,200,000)</u>	<u>(1,606,503)</u>	<u>1,593,497</u>
<u>OTHER FINANCING SOURCES</u>				
Contributions from developers	-	772,000	-	(772,000)
Transfers in	482,000	2,428,000	1,902,848	(525,152)
Total other financing sources	<u>482,000</u>	<u>3,200,000</u>	<u>1,902,848</u>	<u>(1,297,152)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	296,345	<u>\$ 296,345</u>
Fund balance at beginning of year			<u>12,471</u>	
Fund balance at end of year			<u>\$ 308,816</u>	

MIDVALE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Communities Building Communities
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Intergovernmental	\$ 51,400	\$ 93,200	\$ 99,657	\$ 6,457
Charges for service	-	15,500	16,955	1,455
Interest income	-	-	140	140
Miscellaneous	-	6,400	6,400	-
Total revenues	51,400	115,100	123,152	8,052
<u>EXPENDITURES</u>				
Community development	94,600	203,800	149,483	54,317
<u>OTHER FINANCING SOURCES</u>				
Transfers in	43,200	88,700	-	(88,700)
Net change in fund balance	\$ -	\$ -	\$ (26,331)	\$ (26,331)
Fund balance at beginning of year			65,254	
Fund balance at end of year			\$ 38,923	