MIDVALE CITY CORPORATION
MIDVALE, UTAH

Basic Financial Statements and Supplementary Information

Year Ended June 30, 2013

Hansen, Bradshaw, Malmrose & Erickson
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS
www.hbme.com

MIDVALE CITY CORPORATION

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FINANCIAL SECTION

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Midvale City Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation ("the City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation as of June 30, 2013, 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 funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-19 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

December 4, 2013

Midvale City Corporation
Management's Discussion and Analysis
June 30, 2013

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, 2013. 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 $92,604,778. The Statement of Net Position shows a negative balance in Unrestricted Net Position for Governmental Activities due to bond issuances by the City's Municipal Building Authority (MBA) and Redevelopment Agency (RDA).

  The MBA issued bonds in the amount of $8.9 million in Fiscal Year (FY) 2013 to help fund new City Hall construction, city-wide street lighting, and improvements to City parks.

  The RDA issued bonds in the amount of $27 million in FY 2010 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 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. The debt service on these bonds will be paid by the RDA with property taxes received annually over the next 21 years.

  As the MBA and RDA bonds are paid down, Unrestricted Net Position will increase.

- Net position increased by $1,036,468 in FY 2013.

- Total assets increased by $9.9 million in FY 2013. The City issued MBA Lease Revenue series 2012 and Water, Sewer and Storm Water Revenue series 2013 bonds during the year. The increase in total assets is due to bond proceeds received from these issuances.

- Net expenses from governmental activities total $10,206,910 for FY 2013. 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 $10,621,042.

- Revenue from property taxes decreased by $900,000 this year. Property taxes decreased by $1.7 million in FY 2012. The combined decrease of $2.6 million over the last two years is due to taxing authority shifting from Midvale City to the UFA. However, 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 is now collected by the UFA for provision of fire service.

- General Fund revenues increased by about $400,000 over last year, and expenditures increased by $200,000 over last year. Revenues exceeded expenditures by $3 million.

- The City's General Fund unassigned fund balance on June 30, 2013 is $2,718,289. This is equal to 20% of the original adopted budget ($13,823,900) for the General Fund for FY 2013. Utah state law prohibits fund balances in excess of twenty five percent or less than five percent of budgeted revenue.

- 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 summer of 2014. Other major projects planned include a new park on Bingham Junction and improvements to the existing Midvale City Park.

  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 pay a fee of $2.00 per month for residential properties and $6.00 per month for commercial properties. A Street Lighting enterprise fund was created to report revenues and expenses of the street lighting program.

- During FY 2013 the City sold buildings and land to Unified Fire Authority. The proceeds will be used to help finance the construction of the new city hall and justice court building.

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 position* presents information on all of the assets and liabilities of the City, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 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; public safety; highways and public improvements; parks, recreation, and public property. The business type activities include water, sewer, storm water utility, solid waste, telecommunications, and street lighting.

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 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 five different individual governmental funds. Of this number, information is shown separately for the General, Capital Projects, Redevelopment Agency, and Municipal Building Authority 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.

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 public utilities (water/sewer), storm water utility, street lighting, solid waste, and telecommunications service. 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 Street Lighting and Telecommunications 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 Street Lighting and Telecommunications proprietary funds. It also includes a schedule of revenues, expenditures, and changes in fund balances comparison of budget to actual for the Capital Projects Fund and the Communities Building Communities Fund.

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	
	2013	2012	2013	2012
Assets:				
Current and other assets	$ 22,505,648	$ 12,457,106	$ 13,637,999	$ 10,059,526
Capital assets	85,799,393	89,519,674	37,758,128	37,787,132
Total Assets	108,305,041	101,976,780	51,396,127	47,846,658
Liabilities:				
Current and other liabilities	1,731,778	2,874,937	847,844	646,128
Deferred inflows of resources	3,301,071	2,952,934		
Long term liabilities	38,903,250	31,549,004	22,312,447	20,648,830
Total Liabilities	43,936,099	37,376,875	23,160,291	21,294,958
Net position:				
Net investment in Capital assets	83,516,093	85,367,188	18,958,384	18,887,512
Restricted	10,410,955	812,835	-	-
Unrestricted	(29,558,106)	(21,580,118)	9,277,452	7,664,188
Total Net Position	64,368,942	64,599,905	28,235,836	26,551,700
Total Liabilities and Net Position	$ 108,305,041	$ 101,976,780	$ 51,396,127	$ 47,846,658

By far the largest component of Midvale City's net position 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 modest increase of $469,657 in Total Net Position. Business-type Activities exhibit an increase of $566,811.

ACTIVITIES, GOVERNMENTAL AND BUSINESS-TYPE

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

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Revenues:				
Program revenues:				
Charges for services	$ 4,718,881	$ 3,409,783	$ 7,611,230	$ 6,655,480
Operating grants and contributions	810,028	742,079	95,120	-
Capital grants and contributions	1,828,838	1,274,142	-	197,734
General revenues:				
Property taxes	3,255,513	4,182,241	-	-
Other taxes	8,110,259	7,620,416	-	-
Unrestricted investment Earnings	77,128	64,497	31,167	48,100
Other	196,880	26,634	-	-
Gain on sale of assets	-	151,453	-	-
Total revenues	18,997,527	17,471,245	7,737,517	6,901,314
Expenses:				
General government	5,445,086	4,330,929	-	-
Public safety	5,714,868	5,518,046	-	-
Highways and public improvements	3,277,687	3,856,315	-	-
Parks and recreation	764,440	762,234	-	-
Redevelopment	373,800	395,210	-	-
Interest on long-term debt	1,988,776	1,184,312	-	-
Water and sewer	-	-	4,996,524	4,657,700
Storm Water	-	-	1,243,205	758,040
Sanitation	-	-	956,355	930,805
Telecommunications	-	-	793,249	8,669
Ambulance	-	-	-	28,122
Street Lighting	-	-	172,909	-
Gain on equity investment	-	-	(28,323)	170,218
Total expenses	17,564,657	16,047,046	8,133,919	6,553,554
Increase (decrease) in net position before transfers and special items	1,432,870	1,424,199	(396,402)	347,760
Transfers	(963,213)	(83,104)	963,213	83,104
Special item	-	(3,237,418)	-	-
Increase (decrease) in net position	469,657	(1,896,323)	566,811	430,864
Net position – beginning (restated)	63,899,285	65,795,608	27,669,025	26,120,836
Net position – ending	$ 64,368,942	$ 63,899,285	$ 28,235,836	$ 26,551,700

Total revenues in the Governmental Activities column increased by $1.5 million. Charges for services increased by $1.3 million, capital grants increased by $500,000 and other taxes increased by $500,000. Property taxes decreased by $900,000.

Total expenses in the Governmental Activities column increased by $1.5 million. General government expenses increased by $1.1 million and interest on long-term debt increased by $800,000.

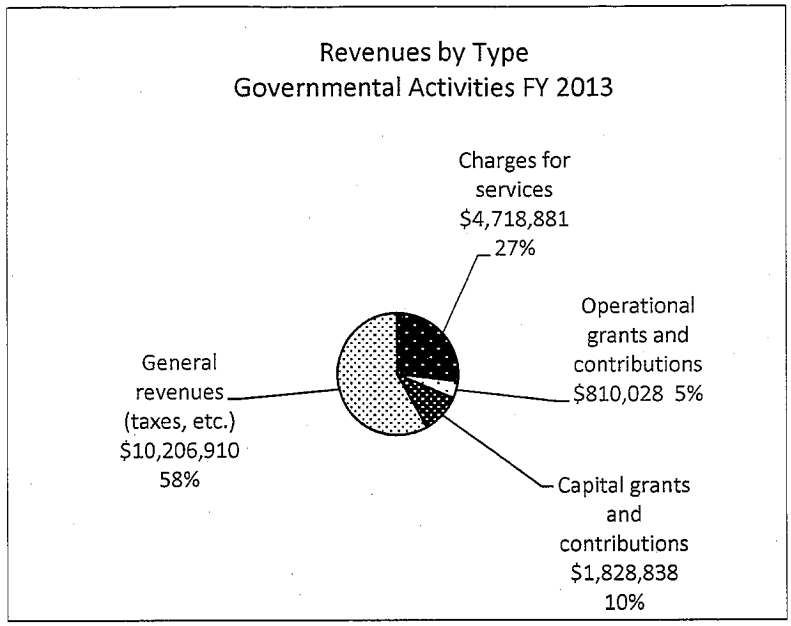
The "special item" of $3,237,418 for FY 2012 represents the transfer to UFA and UPD of the following; vehicles and equipment ($2,072,923), accrued vacation and compensated absences for public safety employees ($176,610), and reserves for replacement of fleet vehicles ($987,885).

Total revenues in the Business-type Activities column increased by $800,000. The increase is due to the addition of a street lighting fee and increases in rates for water, storm water, and sanitation. The change in rate structure for water and sewer to reduce the amount of water allowed in the monthly base fee from 6,000 gallons to 4,000 gallons also contributed to increased revenues.

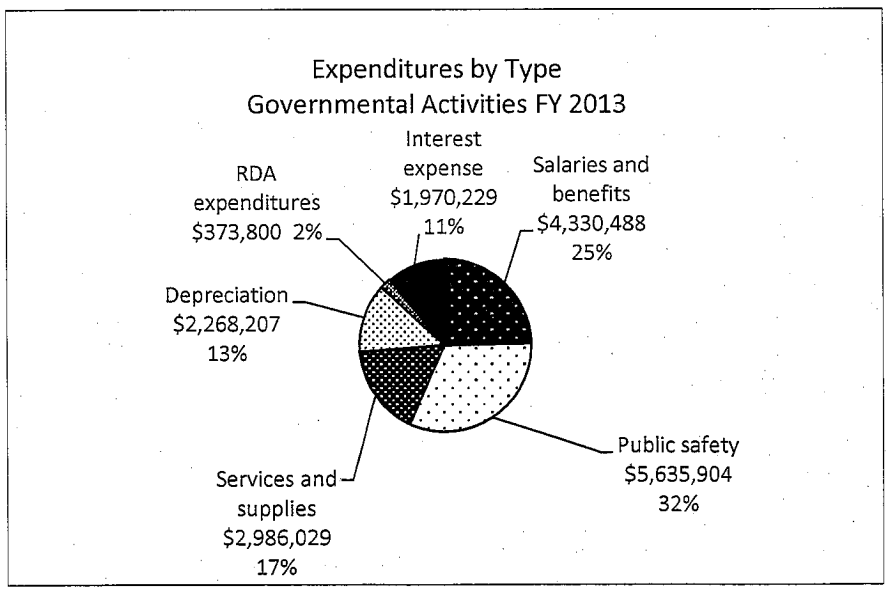
Total expenses in the Business-type Activities column increased by $1.6 million. Telecommunications expenses increased by $800,000. Operating expenses for water, sewer, storm water and sanitation activities increased by $800,000.

Governmental Activities

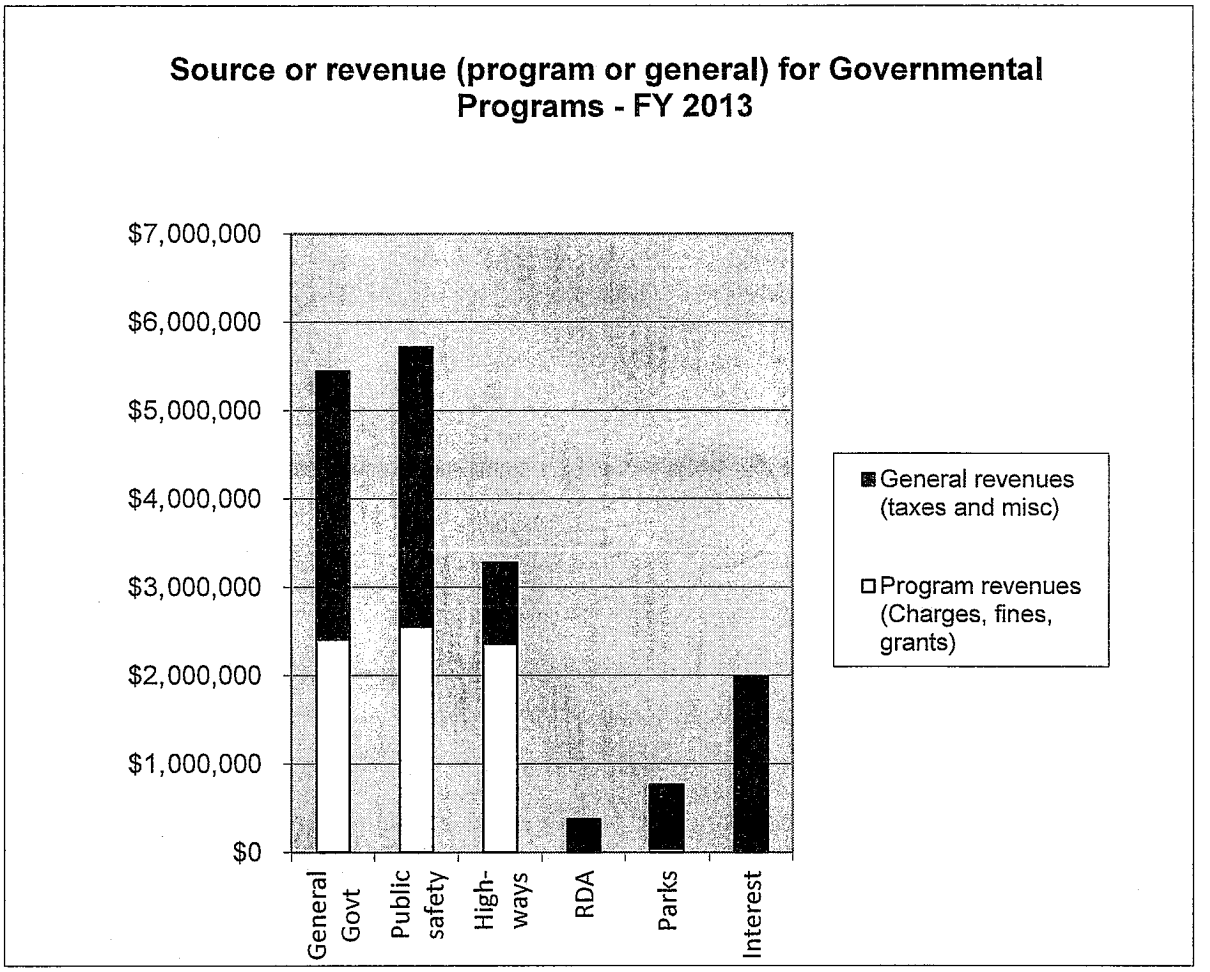
The following graphs illustrate the governmental activities reflected in the above tables.



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.

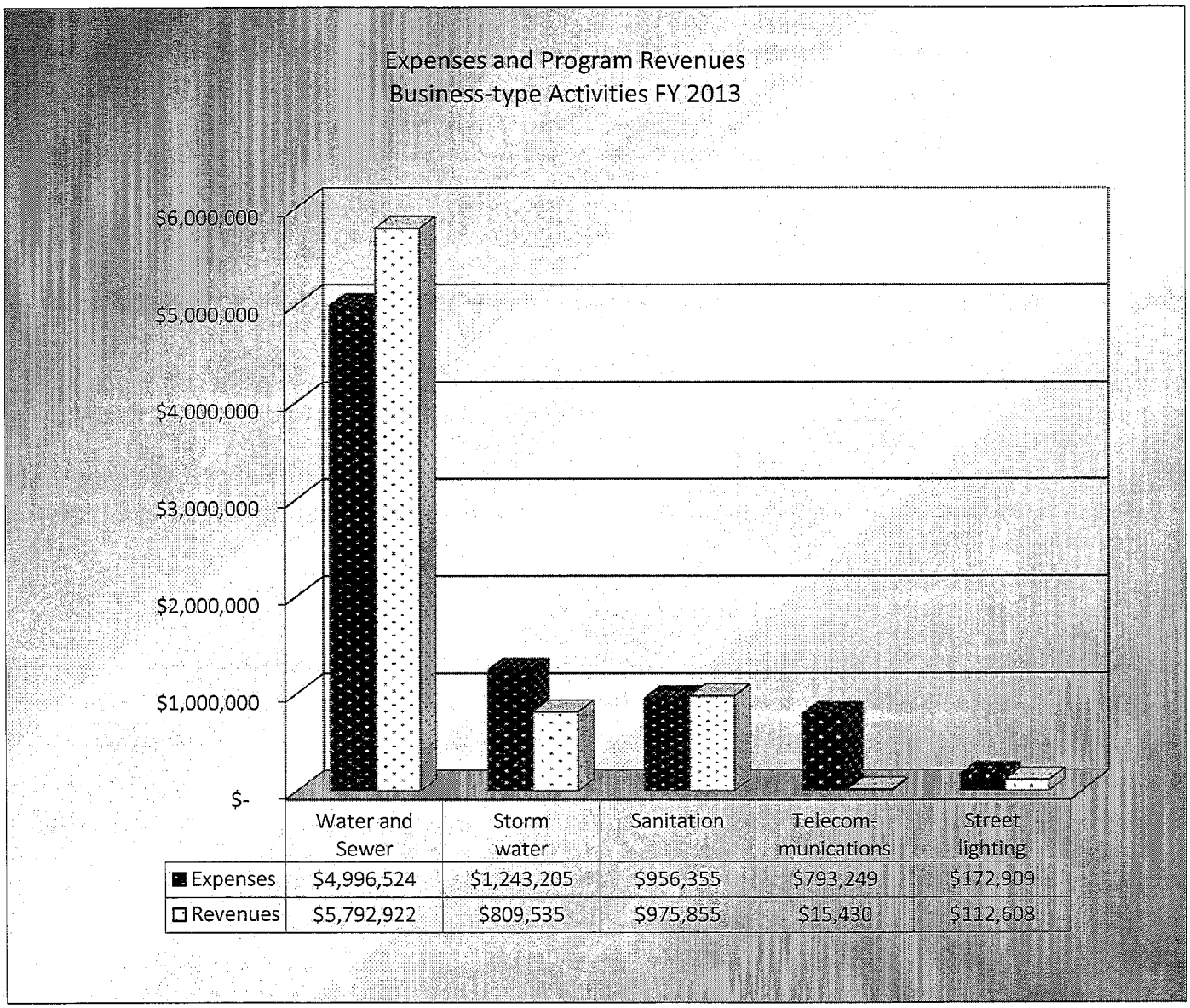


This graph illustrates how programs are funded. The light section of the bar represents program revenues, such as charges for services, court fines, and intergovernmental grants. The dark section of the bar represents the amount of general revenues required to fund the programs. General revenues consist mainly of property, sales, and franchise taxes.

Clearly, program revenues alone do not cover program expenses. Revenues raised from taxes ($11.4 million in FY 2013) provide the additional funding needed to operate the programs of the General Government.

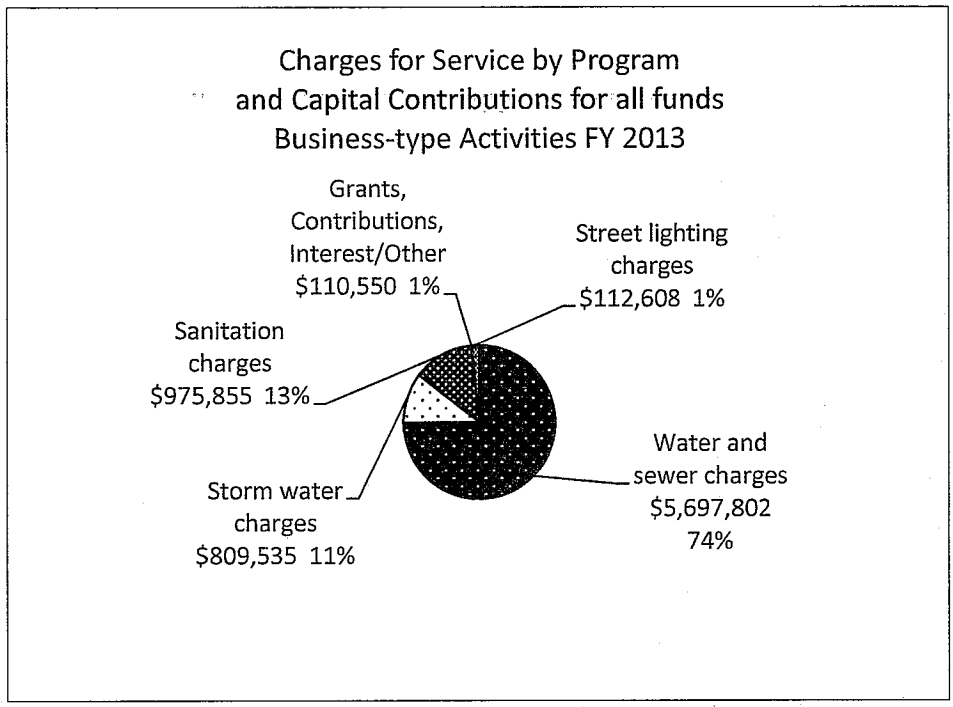
Business-type Activities

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

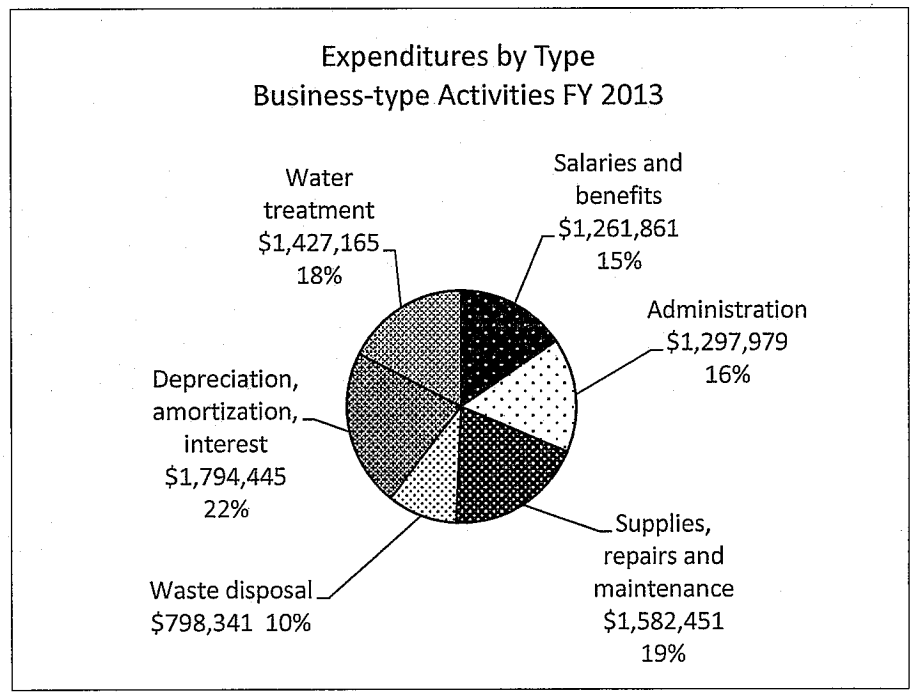


	Water and Sewer	Storm water	Sanitation	Telecom-munications	Street lighting
Expenses	$4,996,524	$1,243,205	$956,355	$793,249	$172,909
Revenues	$5,792,922	$809,535	$975,855	$15,430	$112,608

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



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 2013 totaled $1,064,641, interest expense totaled $729,804.

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, 2013.

For the period ending June 30, 2013, the City's governmental funds reported a combined fund balance amount of $15,822,025, an increase of $10.6 million from June 30, 2012. This increase is mostly due to the Municipal Building Authority bonds of $9 million issued during FY 2013.

Of the total combined fund balance at year-end, $2,731,907 is unassigned, or available for appropriation. Restricted fund balance of $10,351,021 consists mostly of unexpended bond proceeds reserved for specific projects. Assigned fund balance includes $911,341 which is reserved for Special Revenue funds (RDA and the Communities Building Communities programs), and $1,677,626 which is reserved for capital projects.

The General Fund is the main operating fund for Midvale City Corporation. At June 30, 2013, fund balance is $2,964,664. $246,375 is restricted for debt service on Excise Tax Revenue Bonds. The remaining $2,718,289 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 20% 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.

Total fund balance for the General Fund decreased by $155,167 in FY 2013.

The Capital Projects Fund has a total fund balance of $1,677,626 at June 30, 2013. The fund balance increased by $1,368,810 in Fiscal Year 2013 due to transfers from the General Fund. Expenditures in the Capital Projects Fund include $927,666 for improvements to city streets and other capital improvements of $188,436.

The Redevelopment Agency (RDA) of Midvale City has a decrease in fund balance of $143,146. Revenues from property taxes and interest income were sufficient to cover debt service expenses and operations. The agency administers development on the project area, generally between Midvale's southern border and 7200 South, and 700 West to Midvale's western border. Fiscal Year 2013 is the fourth year the agency received property tax revenues ($2,073,445). 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 $1,560,296.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the City's proprietary funds totaled $7,755,435 for Public Utilities (water and sewer), $109,761 for Storm

Water, $1,095,272 for Sanitation, and $316,984 for Other Proprietary Funds (Telecommunications and Street Lighting).

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 net position of $1,224,335 as of June 30, 2013.

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 2013 reflect the following:

- Budgeted revenues from operations increased by $288,100. Proceeds from sale of assets increased by $2,954,500, which represents the sale of City property to UFA.

- Budgeted expenditures decreased by $939,200. The largest component ($800,000) of the decrease is the reclassification of Utopia pledge payments from a non-department expense to a "transfer out".

- Transfers out increased by $4,241,300, generally reflecting the transfer of the UTOPIA pledge payment to the Telecommunications fund and the transfer of proceeds from the sale of assets to the City's Municipal Building Authority.

- Actual General Fund revenues were $79,040 below budget. Intergovernmental revenues fell short of estimates by $238,628, and fines and forfeitures were $186,919 below estimates. Licenses and permits were $184,825 higher than estimates. Charges for services and tax revenues were both higher than estimates by $82,158 and $67,327 respectively.

- Actual expenditures were $605,828 below budget. Community and economic development expenditures were $137,432 below estimates, and public safety and parks and recreation were both below estimates by $112,096 and $105,167 respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Midvale City's investment in capital assets is $123,557,521 ($102,474,777 net of related debt) as of June 30, 2013. 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.

Midvale City Corporation's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Land and water rights	$ 60,032,213	$ 60,767,981	$ 3,196,361	$ 3,196,361
Infrastructure	18,830,454	20,103,018	2,455,739	2,540,982
Buildings	4,913,100	6,945,560	1,855,567	1,789,134
Improvements other than buildings	710,335	768,242	29,512,539	25,637,342
Machinery and equipment	782,352	733,684	44,062	43,242
Construction in progress	530,939	201,189	693,860	4,580,071
Total	$ 85,799,393	$ 89,519,674	$ 37,758,128	$ 37,787,132

Midvale City's long-term debt, including compensated absences and unamortized premiums, is $61,547,144, well below the City's legal debt capacity imposed by the state. New debt issued in FY 2013 includes:

- Water, Sewer and Storm Water Revenue Bonds ($2,552,000), maturing October 2028
- MBA Lease Revenue Bonds ($8,990,000), maturing October 2038

Remaining debt issued in prior years includes:

- General obligation bonds ($2,415,000), maturing September 2019
- Excise tax revenue bonds ($1,640,000), maturing April 2019
- 2007 Water and Sewer Revenue Bonds ($10,239,000), maturing October 2032
- 2010 Water and Sewer Revenue Bonds ($7,560,000), maturing October 2030
- 2012 Water and Sewer Refunding Bonds ($1,451,000), maturing April 2027
- RDA Revenue Bonds ($25,440,000), maturing May 2034
- Commitment to Salt Lake County for the relocation of flood channels ($210,000)
- Capital lease for fluoridation equipment ($22,966)
- ($192,076) representing the balance due to the Utah Infrastructure Agency from related notes receivable

- Compensated absences including vacation ($414,310), 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 2013, including Gordmans, Longhorn Steakhouse, and Moochies to name a few. The City is projecting an increase in sales tax revenues of 5 percent in FY 2013.

Midvale continues to post all time record numbers for residential and non-residential permits. For FY2013 there were 373 residential dwelling units permitted and non-residential growth was valued at $49.25 million. The additional residential rooftops in 2012 have resulted in the development of commercial shopping areas to serve those residents. As this development has taken place, the demand for the completion of the open space and trails in the area has resulted in approximately 70% of the 75 acres of open space being developed with the remainder targeted for completion within the next year.

The FY 2014 budget funded necessary increases in health insurance, retirement benefits, utilities, fuel, supplies, materials, etc. Requests to increase two part-time employees to full-time were approved. A merit increase averaging 1.5% for employees was approved. Increases in contract services of $241,600 for police and $5,000 for animal control were approved.

The water rate for Service Area 3, the service area formerly served by Sandy City, was reduced by 5%. Service Area 3 has the highest water rate of all service areas. Our goal is to equalize water rates between the three service areas over time, and this change helps us move in that direction. The sewer rate in service area 1, Historic Midvale, was increased by 5%. The infrastructure in this service area is aging and requires additional funding for maintenance and repairs.

The monthly fee for the Storm Water Utility fund was increased by 25% (from $4.05 per equivalent residential unit to $5.08 per equivalent residential unit). This utility was created in 2004 to fund the demands and requirements of the Phase I regulations of the Clean Water Act. With the implementation of Phase II regulations of the act the rate was increased last year by 25%. In order to meet the Phase II requirements, fund a capital improvement plan and on-going O & M, we estimated over a 100% increase to the original rate was needed. We proposed to the Council last year to increase the rate by 25% per year over a four-year period to meet the needs of the utility. After bonding for capital projects and reassessing the fund this year, we feel that a 25% increase is needed in FY 2014 with lesser than anticipated increases needed in future years.

There will be no change in sanitation fees for FY 2014. While the Sanitation Fund is running low on reserves, we will be able to avoid a rate increase because revenue from user fees adequately covers operating expenses.

In last year's budget we established a new Street Lighting Fund in order to charge a fee to the residents and businesses for a new lighting program. The program called for the replacement

of all existing street lights with LED lights and the addition of approximately 300 new lights throughout the City. The Street Lighting Master Plan was completed, bonds were issued and replacement/installation will be completed by the end of FY 2014. There is no increase to the fee in FY 2014.

The Telecommunications Fund was established to cover the Utopia/UIA costs and is basically a "pass through" fund where funding is transferred from the General Fund to cover debt payments and system O & M costs. Should the City choose in the future to run this system as a utility, the budget or funding mechanism is already in place. In the FY 2014 Budget we are appropriating $800,000 to cover debt payments and $125,000 to cover Utopia O & M costs.

We are restructuring the Fleet Department in FY 2014. We have decided not to replace the Fleet/Facilities Manager position and have assigned these responsibilities to the new Public Works Director. With this change and other cost saving programs, we have reduced the fleet operations by $87,800. The savings will be allocated as follows:

- General Fund $38,600
- Public Utilities Fund $26,100
- Storm Water Utility Fund $17,000
- Sanitation Fund $6,100

Capital projects funded include improvements to Oak Street, 7200 South (I-15 to 1000 West), City parks, sidewalks, and curb and gutters. The purchase of new financial software (Caselle) was also funded.

The City's Municipal Building Authority will be used to fund and construct several projects in FY 2014. The bond proceeds and the funds received from the sale of city owned properties have been placed in the fund for that purpose. The following projects are included in the FY 2014 MBA Budget:

- New City Hall $6,260,000
- Street Lighting Replacement $2,172,200
- Demolition of properties @ 655 W. Center $153,000
- Interest on debt service $217,000

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 Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 4,970,091	$ 4,730,255	$ 9,700,346
Receivables (net of allowance for uncollectibles):			
Accounts and taxes	4,696,379	861,142	5,557,521
Contracts	-	202,185	202,185
Court fines	1,104,853	-	1,104,853
Due from other governments	1,147,183	-	1,147,183
Internal balances	12,452	(12,452)	-
Prepaids and deposits	13,605	349,603	363,208
Restricted cash	10,410,955	3,025,222	13,436,177
Intangible assets	-	4,408,429	4,408,429
Note receivable	-	73,615	73,615
Land held for resale	150,130	-	150,130
Capital assets not being depreciated:			
Water stock	-	3,081,299	3,081,299
Land	60,032,213	115,062	60,147,275
Construction in progress	530,939	693,860	1,224,799
Capital assets, net of accumulated depreciation:			
Buildings	4,913,100	1,855,567	6,768,667
Improvements other than buildings	710,335	31,968,277	32,678,612
Equipment	782,352	44,063	826,415
Infrastructure	18,830,454	-	18,830,454
Total assets	**108,305,041**	**51,396,127**	**159,701,168**
LIABILITIES			
Accounts payable	490,331	312,329	802,660
Accrued liabilites	198,296	38,967	237,263
Compensated absences	247,425	84,022	331,447
Accrued interest payable	328,633	238,782	567,415
Deposits held	467,093	173,744	640,837
Noncurrent liabilites:			
Due within one year	1,385,000	848,570	2,233,570
Due in more than one year	37,518,250	21,463,877	58,982,127
Total liabilities	**40,635,028**	**23,160,291**	**63,795,319**
Deferred inflows of resources:			
Unearned property taxes	3,301,071	-	3,301,071
Total deferred inflows of resources	**3,301,071**	**-**	**3,301,071**
NET POSITION			
Net investment in capital assets	83,516,093	18,958,384	102,474,477
Restricted for:			
Capital projects and redevelopment	10,410,955	-	10,410,955
Unrestricted	(29,558,106)	9,277,452	(20,280,654)
Total net position	**$ 64,368,942**	**$ 28,235,836**	**$ 92,604,778**

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

MIDVALE CITY CORPORATION
Statement of Activities
For the Year Ended June 30, 2013

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities	Net (Expense) Revenues and Changes in Net Position: Business-type Activities	Net (Expense) Revenues and Changes in Net Position: Total
Governmental activities							
General government	$ 5,445,086	$ 2,159,882	$ 246,240	$ -	$ (3,038,964)		$ (3,038,964)
Public safety	5,714,868	2,440,536	112,521	-	(3,161,811)		(3,161,811)
Highways and public improvements	3,277,687	78,263	451,267	1,828,838	(919,319)		(919,319)
Parks, recreation and public property	764,440	40,200	-	-	(724,240)		(724,240)
Redevelopment	373,800	-	-	-	(373,800)		(373,800)
Interest on long-term debt	1,988,776	-	-	-	(1,988,776)		(1,988,776)
Total governmental activities	17,564,657	4,718,881	810,028	1,828,838	(10,206,910)		(10,206,910)
Business-type activities							
Public utilities - water and sewer	4,996,524	5,697,802	95,120	-		$ 796,398	796,398
Storm water	1,243,205	809,535	-	-		(433,670)	(433,670)
Sanitation	956,355	975,855	-	-		19,500	19,500
Telecommunications	793,249	15,429				(777,820)	(777,820)
Street lighting	172,909	112,609	-	-		(60,300)	(60,300)
Equity investment income	(28,323)	-	-	-		28,323	28,323
Total business-type activities	8,133,919	7,611,230	95,120	-		(427,569)	(427,569)
General Revenues:							
Taxes							
Property taxes					3,255,513	-	3,255,513
Sales taxes					5,468,552	-	5,468,552
Telecommunications and franchise taxes					2,641,707	-	2,641,707
Interest income					77,128	31,167	108,295
Miscellaneous					196,880	-	196,880
Transfers - net					(963,213)	963,213	-
Total general revenue and transfers					10,676,567	994,380	11,670,947
Change in net position					469,657	566,811	1,036,468
Net position - beginning (restated)					63,899,285	27,669,025	91,568,310
Net position - ending					$ 64,368,942	$ 28,235,836	$ 92,604,778

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

MIDVALE CITY CORPORATION
Balance Sheet – Governmental Funds
June 30, 2013

			Special Revenue			
	General	Capital Projects	Redevelopment Agency	Municipal Building Authority	Communities Building Communities (Nonmajor)	Total Governmental Funds
ASSETS						
Cash and cash equivalents						
Unrestricted	$ 839,918	$ 1,765,057	$ 910,662	$ 36,442	$ -	$ 3,552,079
Restricted	306,309	-	512,928	9,591,718	-	10,410,955
Receivables, net:						
Accounts receivable	57,143	-	-	-	-	57,143
Taxes	2,244,536	-	2,394,700	-	-	4,639,236
Court fines	1,104,853	-	-	-	-	1,104,853
Intergovernmental	1,075,864	-	-	-	71,319	1,147,183
Deposits	13,605	-	-	-	-	13,605
Interfund receivables	63,677	-	-	-	-	63,677
Land held for resale	-	-	150,130	-	-	150,130
Total assets	$ 5,705,905	1,765,057	$ 3,968,420	$ 9,628,160	$ 71,319	$ 21,138,861
LIABILITIES						
Accounts payable	$ 188,529	84,556	$ 8,738	$ 22,824	$ 2,354	$ 307,001
Deposits held	464,218	2,875	-	-	-	467,093
Accrued liabilities	186,950	-	4,686	-	3,637	195,273
Interfund payables	-	-	-	-	51,225	51,225
Total liabilities	839,697	87,431	13,424	22,824	57,216	1,020,592
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	906,371	-	2,394,700	-	-	3,301,071
Deferred fines assessed	995,173	-	-	-	-	995,173
Total deferred inflows of resources	1,901,544	-	2,394,700	-	-	4,296,244
FUND BALANCES						
Nonspendable	-	-	150,130	-	-	150,130
Restricted for:						
Capital projects	-	-	-	9,605,336	-	9,605,336
Debt service	246,375	-	-	-	-	246,375
Redevelopment	-	-	512,928	-	-	512,928
Total restricted	246,375	-	512,928	9,605,336	-	10,364,639
Assigned to:						
Special revenue funds	-	-	897,238	-	14,103	911,341
Capital projects funds	-	1,677,626	-	-	-	1,677,626
Total assigned	-	1,677,626	897,238	-	14,103	2,588,967
Unassigned	2,718,289	-	-	-	-	2,718,289
Total fund balances	2,964,664	1,677,626	1,560,296	9,605,336	14,103	15,822,025
Total liabilities, deferred inflows of resources, and fund balances	$ 5,705,905	$ 1,765,057	$ 3,968,420	$ 9,628,160	$ 71,319	$ 21,138,861

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 Position
June 30, 2013

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total Fund Balances - Total Governmental Funds (page 23)	$ 15,822,025
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is $118,709,684 less the accumulated depreciation of $32,910,291.	85,799,393
Interest on general obligation and lease revenue bonds is not accrued in governmental funds but rather is recognized as an expenditure when due.	(328,633)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(39,150,675)
Other assets are not available to pay for current period expenditures and, therefore, are either deferred or not applicable to funds.	995,173
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 Position.	1,231,659
Net Position - Governmental Activities (page 21)	$ 64,368,942

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, 2013

			Special Revenue			
	General	Capital Projects	Redevelopment Agency	Municipal Building Authority	Communities Building Communities (Nonmajor)	Total Governmental Funds
REVENUES						
Taxes	$ 9,292,327	$ -	$ 2,073,445	$ -	$ -	$ 11,365,772
Licenses and permits	887,225	-	-	-	-	887,225
Intergovernmental	2,072,272	-	451,267	-	115,327	2,638,866
Charges for service	1,569,858	-	-	-	21,544	1,591,402
Fines and forfeitures	1,245,081	-	-	-	-	1,245,081
Interest income	21,052	1,411	7,955	40,325	27	70,770
Miscellaneous	163,845	-	10	30,595	2,430	196,880
Total revenues	15,251,660	1,411	2,532,677	70,920	139,328	17,995,996
EXPENDITURES						
General government	4,340,180	-	-	-	164,148	4,504,328
Public safety	5,635,904	-	-	-	-	5,635,904
Highways and public improvements	871,110	-	-	-	-	871,110
Parks, recreation, and public property	706,933	-	-	-	-	706,933
Redevelopment	-	-	373,800	-	-	373,800
Capital outlay	-	1,116,102	-	1,602,433	-	2,718,535
Debt service:						
Principal	530,000	-	810,000	-	-	1,340,000
Interest	194,745	-	1,448,723	108,811	-	1,752,279
Bond issuance costs	-	-	-	217,950	-	217,950
Total expenditures	12,278,872	1,116,102	2,632,523	1,929,194	164,148	18,120,839
Excess (deficiency) of revenues over (under) expenditures	2,972,788	(1,114,691)	(99,846)	(1,858,274)	(24,820)	(124,843)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of assets	2,947,359	-	-	-	-	2,947,359
Proceeds from bond issuance	-	-	-	8,990,000	-	8,990,000
Discount on bond issuance	-	-	-	(90,890)	-	(90,890)
Transfers in	28,000	2,483,501	-	2,564,500	-	5,076,001
Transfers out	(6,103,314)	-	(43,300)	-	-	(6,146,614)
Total other financing sources (uses)	(3,127,955)	2,483,501	(43,300)	11,463,610	-	10,775,856
Net change in fund balance	(155,167)	1,368,810	(143,146)	9,605,336	(24,820)	10,651,013
Fund balance at beginning of year	3,119,831	308,816	1,703,442	-	38,923	5,171,012
Fund balance at end of year	$ 2,964,664	$ 1,677,626	$ 1,560,296	$ 9,605,336	$ 14,103	$ 15,822,025

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, 2013

Amounts reported for governmental activities in the statement of activities (page 22) are different because:		
Net change in fund balances - total governmental funds (page 25)	$	10,651,013
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.		(7,360)
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 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.		(7,641,874)
In the statement of activities, only the gain (loss) on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.		(3,811,546)
Some revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.		995,173
The net revenue of certain activities of the Internal Service Fund is reported with governmental activities.		284,251
Change in net position of governmental activities (page 22)	$	469,657

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, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 9,225,000	$ 9,225,000	$ 9,292,327	$ 67,327
Licenses and permits	627,400	702,400	887,225	184,825
Intergovernmental	2,252,500	2,310,900	2,072,272	(238,628)
Charges for services	1,487,700	1,487,700	1,569,858	82,158
Fines and forfeitures	1,432,000	1,432,000	1,245,081	(186,919)
Interest income	10,500	10,500	21,052	10,552
Miscellaneous	7,500	162,200	163,845	1,645
Total revenues	15,042,600	15,330,700	15,251,660	(79,040)
EXPENDITURES				
General government:				
City council	172,400	209,400	202,801	6,599
Court	704,100	714,100	705,353	8,747
General administration	503,800	503,800	495,236	8,564
Information technology	445,200	452,200	415,771	36,429
Finance	297,300	272,300	255,166	17,134
Recorder	209,100	209,100	185,459	23,641
City attorney	553,700	553,700	502,767	50,933
Non-departmental	1,021,400	216,400	206,771	9,629
Community and intergovernmental service	217,000	216,000	208,558	7,442
Employee services	61,700	61,700	29,830	31,870
Community and economic development	1,284,200	1,269,900	1,132,468	137,432
Public safety:				
Police	5,721,300	5,748,000	5,635,904	112,096
Highways and public improvements	1,160,800	923,800	871,110	52,690
Parks, recreation and public property	747,200	812,100	706,933	105,167
Debt service:				
Principal	530,000	530,000	530,000	-
Interest	194,700	192,200	194,745	(2,545)
Total expenditures	13,823,900	12,884,700	12,278,872	605,828
Excess (deficiency) of revenues over (under) expenditures	1,218,700	2,446,000	2,972,788	526,788
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	2,954,500	2,947,359	(7,141)
Transfers in	807,100	866,600	28,000	(838,600)
Transfers out	(2,025,800)	(6,267,100)	(6,103,314)	163,786
Net change in fund balance	$ -	$ -	(155,167)	$ (155,167)
Fund balance at beginning of year			3,119,831	
Fund balance at end of year			$ 2,964,664	

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, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 1,875,000	$ 1,875,000	$ 2,073,445	$ 198,445
Intergovernmental	240,400	240,400	451,267	210,867
Miscellaneous	9,700	9,700	7,955	(1,745)
Interest income	(22,700)	(22,700)	10	22,710
Total revenues	2,102,400	2,102,400	2,532,677	430,277
EXPENDITURES				
Redevelopment	567,700	587,700	65,866	521,834
Administration	310,000	310,000	307,934	2,066
Debt service				
Principal	810,000	810,000	810,000	-
Interest	1,448,700	1,448,700	1,448,723	(23)
Total expenditures	3,136,400	3,156,400	2,632,523	523,877
Excess (deficiency) of revenues over (under) expenditures	(1,034,000)	(1,054,000)	(99,846)	954,154
OTHER FINANCING SOURCES				
Transfers in	1,372,600	1,392,600	295,300	(1,097,300)
Transfers out	(338,600)	(338,600)	(338,600)	-
Total other financing sources (uses)	1,034,000	1,054,000	(43,300)	-
Net change in fund balance	$ -	$ -	(143,146)	$ 954,154
Fund balance at beginning of year			1,703,442	
Fund balance at end of year			$ 1,560,296	

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 – Municipal Building Authority
For the Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Lease and other revenue	$ -	$ 24,000	$ 30,595	$ 6,595
Interest income	-	-	40,325	40,325
Total revenues	-	24,000	70,920	46,920
EXPENDITURES				
Capital outlay	-	10,082,000	1,602,433	8,479,567
Debt service				
Interest	-	126,400	108,811	17,589
Bond issuance costs	-	278,100	217,950	60,150
Total expenditures	-	10,486,500	1,929,194	8,557,306
Excess (deficiency) of revenues over (under) expenditures	-	(10,462,500)	(1,858,274)	8,604,226
OTHER FINANCING SOURCES				
Proceeds from bond issuance	-	8,058,000	8,990,000	932,000
Discount on bond issuance	-	-	(90,890)	(90,890)
Transfers in	-	2,564,500	2,564,500	-
Transfers out	-	(160,000)	-	160,000
Total other financing sources (uses)	-	10,462,500	11,463,610	1,001,110
Net change in fund balance	$ -	$ -	9,605,336	$ 9,605,336
Fund balance at beginning of year			-	
Fund balance at end of year			$ 9,605,336	

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

MIDVALE CITY CORPORATION
Statement of Net Position – Proprietary Funds
June 30, 2013

	Business-type Activities - Enterprise Funds					
	Public Utilities	Storm Water	Sanitation	Other Proprietary Funds	Total	Governmental Activities Internal Service Fund
ASSETS						
Current assets:						
Cash and cash equivalents						
Unrestricted	$ 4,314,973	$ 191,015	$ -	$ 224,267	$ 4,730,255	$ 1,418,012
Restricted (bond)	546,176	2,479,046	-	-	3,025,222	-
Receivables:						
Accounts, net	654,599	85,148	97,810	23,585	861,142	-
Contracts	-	-	-	12,060	12,060	-
Deposits	349,603	-	-	-	349,603	-
Total current assets	5,865,351	2,755,209	97,810	259,912	8,978,282	1,418,012
Noncurrent assets:						
Contracts receivable	-	-	-	190,125	190,125	-
Intangible asset - South Valley Water Reclamation	3,333,105	-	-	-	3,333,105	-
Investment in Trans-Jordan Cities Landfill	-	-	1,075,324	-	1,075,324	-
Notes receivable, less allowance for doubtful accounts	-	-	-	73,615	73,615	-
Capital assets:						
Land	115,062	-	-	-	115,062	-
Water stock	3,081,299	-	-	-	3,081,299	-
Construction in progress	474,805	219,055	-	-	693,860	-
Buildings, net	1,855,567	-	-	-	1,855,567	-
Improvements, net	29,512,538	2,455,739	-	-	31,968,277	-
Automobiles, net	-	-	-	-	-	407,382
Machinery and equipment, net	44,063	-	-	-	44,063	56,742
Total noncurrent assets	38,416,439	2,674,794	1,075,324	263,740	42,430,297	464,124
Total assets	$ 44,281,790	$ 5,430,003	$ 1,173,134	$ 523,652	$ 51,408,579	$ 1,882,136

(Continued)

MIDVALE CITY CORPORATION
Statement of Net Position – Proprietary Funds (Continued)
June 30, 2013

	Business-type Activities - Enterprise Funds					
	Public Utilities	Storm Water	Sanitation	Other Proprietary Funds	Total	Governmental Activities Internal Service Fund
LIABILITIES						
Current liabilities:						
Accounts payable	$ 219,964	$ 12,363	$ 65,410	$ 14,592	$ 312,329	$ 183,330
Accrued liabilities	28,237	10,730	-	-	38,967	3,023
Compensated absences	54,734	29,288	-	-	84,022	5,859
Accrued interest payable	237,083	1,699	-	-	238,782	-
Interfund payables	-	-	12,452	-	12,452	-
Equipment lease payable	22,966	-	-	-	22,966	-
Notes payable	-	15,000	-	9,604	24,604	-
Bonds payable	801,000	-	-	-	801,000	-
Total current liabilities	1,363,984	69,080	77,862	24,196	1,535,122	192,212
Noncurrent liabilities:						
Compensated absences	13,685	7,322	-	-	21,007	1,465
Deposits held	173,744	-	-		173,744	-
Notes payable	-	90,000	-	182,472	272,472	-
Bonds payable	18,449,000	2,552,000	-	-	21,001,000	-
Unamortized bond premium	169,398	-	-	-	169,398	-
Total noncurrent liabilities	18,805,827	2,649,322	-	182,472	21,637,621	1,465
Total liabilities	20,169,811	2,718,402	77,862	206,668	23,172,743	193,677
NET POSITION						
Net investment in capital assets	16,356,544	2,601,840	-	-	18,958,384	464,124
Unrestricted	7,755,435	109,761	1,095,272	316,984	9,277,452	1,224,335
Total net position	24,111,979	2,711,601	1,095,272	316,984	28,235,836	1,688,459
Total liabilities and net position	$ 44,281,790	$ 5,430,003	$ 1,173,134	$ 523,652	$ 51,408,579	$ 1,882,136

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

MIDVALE CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Public Utilities	Storm Water	Sanitation	Other Proprietary Funds	Total	
OPERATING REVENUES						
Charges for services	$ 5,319,436	$ 797,642	$ 975,855	$ 128,038	$ 7,220,971	$ 735,600
Other	378,366	11,893	-	-	390,259	1,850
Total operating revenues	5,697,802	809,535	975,855	128,038	7,611,230	737,450
OPERATING EXPENSES						
Salaries and wages	490,407	329,286	34,530	-	854,223	94,339
Employee benefits	292,513	115,125	-	-	407,638	37,869
Administration	914,157	264,978	118,844	-	1,297,979	108,367
Supplies	42,558	13,461	-	-	56,019	185,055
Repairs and maintenance	122,223	422,751	15,300	-	560,274	10,432
Waste disposal	-	10,660	787,681	-	798,341	-
Purchase/treatment:						
Water	999,841	-	-	-	999,841	-
Sewer	427,324	-	-	-	427,324	-
Street lighting	-	-	-	172,909	172,909	-
Telecommunications	-	-	-	793,249	793,249	-
Depreciation and amortization	947,536	85,245	-	-	1,032,781	215,337
Total operating expenses	4,236,559	1,241,506	956,355	966,158	7,400,578	651,399
Operating income (loss)	1,461,243	(431,971)	19,500	(838,120)	210,652	86,051
NON-OPERATING REVENUES (EXPENSES)						
Interest income	28,020	3,134	12	1	31,167	6,358
Interest expense	(728,105)	(1,699)	-	-	(729,804)	-
Bond issuance costs	-	(31,860)	-	-	(31,860)	-
Gain on equity investment	-	-	28,323	-	28,323	-
Intergovernmental subsidy	95,120	-	-	-	95,120	-
Gain on disposal of equipment	-	-	-	-	-	84,442
Total nonoperating revenues (expenses)	(604,965)	(30,425)	28,335	1	(607,054)	90,800
Income before transfers and contributions	856,278	(462,396)	47,835	(838,119)	(396,402)	176,851
Transfers in	-	-	-	1,098,613	1,098,613	135,400
Transfers out	(102,700)	(32,700)	-	-	(135,400)	(28,000)
Change in net position	753,578	(495,096)	47,835	260,494	566,811	284,251
Total net position - beginning (restated)	23,358,401	3,206,697	1,047,437	56,490	27,669,025	1,404,208
Total net position - ending	$ 24,111,979	$ 2,711,601	$ 1,095,272	$ 316,984	$ 28,235,836	$ 1,688,459

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, 2013

	Business-type Activities - Enterprise Funds					
	Public Utilities	Storm Water	Sanitation	Other Proprietary Funds	Total	Governmental Activities Internal Service Fund
Cash flows from operating activities						
Receipts from customers	$ 5,775,892	$ 796,776	$ 967,890	$ 81,310	$ 7,621,868	$ -
Receipts from interfund services	-	-	-	-	-	737,450
Payments to suppliers	(1,970,430)	(541,990)	(843,538)	(951,566)	(4,307,524)	(167,571)
Payments for interfund services	(453,450)	(160,100)	(73,900)	-	(687,450)	-
Payments to employees	(764,686)	(430,672)	(34,530)	-	(1,229,888)	(133,911)
Net cash provided (used) by operating activities	2,587,326	(335,986)	15,922	(870,256)	1,397,006	435,968
Cash flows from noncapital financing activities						
Transfers from other funds	-	-	-	-	-	135,400
Transfers to other funds	(102,700)	(32,700)	-	1,098,613	963,213	(28,000)
Changes to interfund receivables and payables	-	-	(15,934)	-	(15,934)	-
Net cash provided (used) by noncapital financing activities	(102,700)	(32,700)	(15,934)	1,098,613	947,279	107,400
Cash flows from capital and related financing activities						
Purchase of capital assets	(996,506)	(16,493)	-	-	(1,012,999)	(325,663)
Proceeds from sale of capital assets	-	-	-	-	-	96,143
Increase in contracts receivable	-	-	-	(26,431)	(26,431)	-
Proceeds from issuance of debt	-	2,552,000	-	31,630	2,583,630	-
Principal paid on capital debt	(821,495)	(15,000)	-	(9,290)	(845,785)	-
Interest and fees paid on capital debt	(736,029)	(31,860)	-	-	(767,889)	-
Intergovernmental bond interest subsidy	95,120	-	-	-	95,120	-
Net cash provided (used) by capital and related financing activities	(2,458,910)	2,488,647	-	(4,091)	25,646	(229,520)
Cash flows from investing activites						
Interest received	28,020	3,134	12	1	31,167	6,358
Net cash provided by investing activities	28,020	3,134	12	1	31,167	6,358
Net increase (decrease) in cash and cash equivalents	53,736	2,123,095	-	224,267	2,401,098	320,206
Cash and cash equivalents, beginning of year	4,807,413	546,966	-	-	5,354,379	1,097,806
Cash and cash equivalents, end of year	$ 4,861,149	$ 2,670,061	$ -	$ 224,267	$ 7,755,477	$ 1,418,012
Unrestricted cash	$ 4,314,973	$ 191,015	$ -	$ -	$ 4,505,988	$ 1,418,012
Restricted cash	546,176	2,479,046	-	-	3,025,222	-
	$ 4,861,149	$ 2,670,061	$ -	$ -	$ 7,531,210	$ 1,418,012

(Continued)

MIDVALE CITY CORPORATION
Statement of Cash Flows – Proprietary Funds (Continued)
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds					
	Public Utilities	Storm Water	Sanitation	Other Proprietary Funds	Total	Governmental Activities Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	$ 1,461,243	$ (431,971)	$ 19,500	$ (838,120)	$ 210,652	$ 86,051
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	947,536	85,245	-	-	1,032,781	215,337
Changes in assets and liabilities:						
Accounts receivable	78,090	(12,759)	(7,965)	(23,585)	33,781	-
Contracts receivable	-	-	-	(23,053)	(23,053)	-
Accounts payable	(69,958)	9,760	4,387	14,502	(41,309)	136,283
Accrued liabilities	(2,379)	13,739	-	-	11,360	(1,703)
Customer deposits	172,794	-	-	-	172,794	-
Net cash provided (used) by operating activities	$ 2,587,326	$ (335,986)	$ 15,922	$ (870,256)	$ 1,397,006	$ 435,968

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

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.

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 is included in these financial statements as the Municipal Building Authority Special Revenue Fund. Separate financial statements are not issued for the MBA.

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.

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).

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

The Municipal Building Authority Special Revenue Fund is used to account for financial resources to be used for the design and construction of capital assets for the benefit of the City.

The City reports the following major proprietary funds:

The Public Utilities 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. The City accounts for the Communities Building Communities fund 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 Street Lighting Fund (proprietary fund) accounts for the activities of the City's street lighting services.

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

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 finds 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 Position 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".

Other receivables at June 30, 2013, 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, 2013 is $4,000.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 160 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.

Deferred Inflows and Outflows of Resources Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time.

Governmental funds report revenue that is unavailable as deferred inflows of resources. Governmental funds report unavailable revenue from property taxes and from court fines. These amounts are deferred and recognized as revenue in the period that the amounts become available.

Deferred outflows of resources represent a consumption of net position that applies to a future period, and is therefore deferred until that time. No deferred outflows of resources were recorded at June 30, 2013.

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, and discounts 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.

New Pronouncements The Governmental Accounting Standards Board issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." Although not required to do so, the City has elected to early adopt Statement No. 65 by the Board, "Items Previously Reported as Assets and Liabilities." The implementation of these statements has resulted in changes to the financial statement previously referred to as the Statement of Net Assets, now the Statement of Net Position, and the reclassification of certain asset and liability balances as deferred outflows and inflows and the elimination of previous bond issuance costs.

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	$ 118,709,684
Accumulated depreciation	(32,910,291)
Total difference	$ 85,799,393

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, 2013 were:

General Obligation bonds	$ 2,415,000
Excise tax revenue bonds	1,640,000
Lease revenue bonds	34,430,000
Note payable	105,000
Bond issuance premiums	251,394
Compensated absences	309,281
Total difference	$ 39,150,675

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	$ 2,260,847
Depreciation expense	(2,268,207)
Net difference, as reported	$ (7,360)

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.

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. At times during the year, the City's bank balances may have 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.

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Credit Risk (Continued)

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

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
PTIF	$ 8,078,044	$ 8,078,044	$ -	$ -	$ -
MMMF	576,700	576,700	-	-	-
International Sweep	328,881	328,881	-	-	-
	$ 8,983,625	$ 8,983,625	$ -	$ -	$ -

At June 30, 2013, the City had the following investments and quality ratings:

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**AAA**	**AA**	**A**	**Unrated**
PTIF	$ 8,078,044	$ -	$ -	$ -	$ 8,078,044
MMMF	576,700	-	-	-	576,700
International Sweep	328,881	-	-	-	328,881
	$ 8,983,625	$ -	$ -	$ -	$ 8,983,625

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	$ 9,700,346
Restricted cash	13,436,177
	$ 23,136,523

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Receivables

Receivables as of June 30, 2013 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

	General	RDA	Nonmajor funds	Total
Receivables:				
Taxes	$ 2,244,536	$ 2,394,700	$ -	$ 4,639,236
Accounts and other	57,143	-	-	57,143
Court fines	1,104,853	-	-	1,104,853
Intergovernmental	1,075,864	-	71,319	1,147,183
Gross receivables	4,482,396	2,394,700	71,319	6,948,415
Less: allowance for uncollectibles	-	-	-	-
Net total receivables	$ 4,482,396	$ 2,394,700	$ 71,319	$ 6,948,415

Business-type Funds

	Public Utilities	Storm Water	Sanitation	Nonmajor Funds	Total
Receivables:					
Accounts	$ 654,599	$ 87,148	$ 99,810	$ 23,585	$ 865,142
Contracts	-	-	-	12,060	12,060
Gross receivables	654,599	87,148	99,810	35,645	877,202
Less: allowance for uncollectibles	-	(2,000)	(2,000)	-	(4,000)
Net total receivables	$ 654,599	$ 85,148	$ 97,810	$ 35,645	$ 873,202

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)	$ 906,371	-
Court fines receivable (General Fund)	995,173	-
Property taxes receivable (RDA)	2,394,700	-
Total deferred/unearned revenue for governmental funds	$ 4,296,244	$ -

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	07/01/12	Increases	Decreases	06/30/13
Governmental activities				
Capital assets, not depreciated:				
Land	$ 60,767,981	$ 190,000	$ (925,768)	$ 60,032,213
Construction in progress	201,189	439,850	(110,100)	530,939
Total capital assets, not depreciated	60,969,170	629,850	(1,035,868)	60,563,152
Capital assets, depreciated:				
Buildings	10,094,092	860,000	(3,871,877)	7,082,215
Improvements other than buildings	1,134,589	-	(45,747)	1,088,842
Infrastructure	45,986,351	705,985	(43,320)	46,649,016
Machinery and equipment	3,362,254	390,675	(426,470)	3,326,459
Total capital assets, depreciated	60,577,286	1,956,660	(4,387,414)	58,146,532
Accumulated depreciation:				
Buildings	(3,148,532)	(187,085)	1,166,502	(2,169,115)
Improvements other than buildings	(366,347)	(34,244)	22,084	(378,507)
Infrastructure	(25,883,333)	(1,978,549)	43,320	(27,818,562)
Machinery and equipment	(2,628,570)	(283,667)	368,130	(2,544,107)
Total accumulated depreciation	(32,026,782)	(2,483,545)	1,600,036	(32,910,291)
Total capital assets, depreciated (net)	28,550,504	(526,885)	(2,787,378)	25,236,241
Net governmental capital assets	$ 89,519,674	$ 102,965	$ (3,823,246)	$ 85,799,393

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets (Continued)

	07/01/12	Increases	Decreases	06/30/13
Business-type activtities				
Capital assets, not depreciated:				
Water stock and rights	$ 3,081,299	$ -	$ -	$ 3,081,299
Land	115,062	-	-	115,062
Construction in progress	4,580,071	1,000,275	(4,886,486)	693,860
Total capital assets, not depreciated	7,776,432	1,000,275	(4,886,486)	3,890,221
Capital assets, depreciated:				
Buildings	1,918,141	115,486	-	2,033,627
Improvements other than buildings				
Water	27,234,720	4,771,000	-	32,005,720
Sewer	4,255,255	-	-	4,255,255
Infrastructure	3,625,951	-	-	3,625,951
Machinery and equipment	176,734	12,723	-	189,457
Total capital assets, depreciated	37,210,801	4,899,209	-	42,110,010
Accumulated depreciation:				
Buildings	(129,007)	(49,053)	-	(178,060)
Improvements other than buildings				
Water	(5,534,028)	(809,768)	-	(6,343,796)
Sewer	(318,604)	(86,036)	-	(404,640)
Infrastructure	(1,084,969)	(85,243)	-	(1,170,212)
Machinery and equipment	(133,493)	(11,902)	-	(145,395)
Total accumulated depreciation	(7,200,101)	(1,042,002)	-	(8,242,103)
Total capital assets, depreciated (net)	30,010,700	3,857,207	-	33,867,907
Net business-type capital assets	$ 37,787,132	$ 4,857,482	$ (4,886,486)	$ 37,758,128

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	$	173,915
Public safety		108,305
Highways and public improvements		2,134,714
Parks, recreation, and public property		66,611
Total depreciation expense - governmental activities	$	2,483,545
Business-type activities:		
Public Utilities	$	870,723
Storm water		85,243
Sewer		86,036
Total depreciation expense - business-type activities	$	1,042,002

Investments In And Advances To Joint Ventures and Intangible Assets

South Valley Water Reclamation Facility The Public Utilities fund has an investment in the South Valley Water Reclamation Facility (SVWRF), which is accounted for by the cost method. During 2013, the City, in discussion with other SVWRF members, changed the accounting for this investment from the equity method to the cost method. It was determined that no additional future capital contributions for expansion will be necessary, and no residual income will result from the investment. A prior period adjustment in the amount of $1,568,761 was recorded to increase the investment in SVWRF in the Public Utilities fund, which brings the total investment to $3,333,105. This amount represents the City's cumulative capital contributions.

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. 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, 2013 is $1,980,000, for which payments of $244,745 were made during 2013.

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

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.

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.

The complete financial statements for South Valley Water Reclamation Facility for the year ended December 31, 2012 can be obtained from the South Valley Water Reclamation Facility at 7495 South 1300 West, West Jordan, UT 84084.

Trans-Jordan Cities Landfill At June 30, 2013, the Sanitation fund had 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, 2013, the City contributed capital of $0, recorded a $28,323 gain in equity of joint venture, and increased its participating interest by the same amount, resulting in a corresponding increase in its investment of the facility.

The complete financial statements for Trans-Jordan Cities Landfill for the year ended June 30, 2013 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.

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

InterLocal Agreements (Continued)

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.

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, 2012 the net assets deficit was $132,651,908. The audited financial statements for UTOPIA as of June 30, 2013 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 $185,000,000 in revenue bonds. 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, 2013, the City's percentage of the Debt Service Reserve shortfall was 6.06% and totaled $778,700. 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 2013. The City's annual commitment increases by 2% each year, and ranges from $778,700 in Fiscal Year 2013 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, 2013 totaled $779,998.

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 during 2012, with an offsetting allowance for doubtful accounts of $1,777,162. The balances were increased to $2,711,873 and $2,638,258, respectively, as of June 30, 2013. It is currently unclear when UTOPIA will be in position to repay the note.

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 Sherriff 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 lower cost. 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.

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Interfund Receivable, Payables and Transfers

At June 30, 2013, interfund balances due to or from other funds was as follows:

Receivable Fund	Payable Fund	Amount
General fund	Sanitation proprietary fund	$ 12,452
General fund	Nonmajor governmental fund	51,225
		$ 63,677

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, 2013 were as follows:

Fund Transferring Out	Fund Receiving Transfer	Amount
General fund	Municipal Building Authority	$ 2,564,500
General fund	Capital projects fund	2,440,201
General fund	Nonmajor enterprise fund	1,098,613
Public Utilities enterprise fund	Nonmajor enterprise fund	102,700
Redevelopment agency	Capital projects fund	43,300
Storm water enterprise fund	Nonmajor enterprise fund	32,700
Internal service fund	General fund	28,000
		$ 6,310,014

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:

Bond Description	Original Issue	Annual Principal	Interest Rate	Final Due Date	Amount at 6/30/13
Public Safety Series 2005	$ 3,370,000	$20,000 to $395,000	3.00% to 5.00%	9/15/2019	$ 2,415,000
	$ 3,370,000				$ 2,415,000

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

	Principal	Interest	Totals
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	360,000	44,340	404,340
2019 - 2020	770,000	34,260	804,260
	$ 2,415,000	$ 404,593	$ 2,819,593

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, 2013, the City issued the MBA Lease Revenue series 2013 and the Water and Sewer Revenue series 2013 bonds for $8,990,000 and $2,552,000, respectively. The bonds proceeds will be used to construct a new City Hall and expand and enhance the City's utility infrastructure.

Revenue bonds outstanding at June 30, 2013 by issue are as follows:

Bond Description	Original Issue	Annual Principal	Interest Rate	Final Due Date	Amount at 6/30/13
RDA Revenue Series 2010A	$ 3,250,000	$765,000 to $870,000	2.75% to 5.00%	5/1/2015	$ 1,690,000
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
MBA Revenue Series 2012	8,990,000	$235,000 to $520,000	2.000% to 2.625%	10/1/2038	8,990,000
Excise Tax Series 2009	2,335,000	$225,000 to $300,000	4.00% to 5.00%	4/1/2019	1,640,000
Water and Sewer Series 2007B	6,650,000	$150,000 to $435,000	3.80% to 5.00%	10/1/2032	5,825,000
Water and Sewer Series 2007C	5,050,000	$208,000 to $303,000	2.00%	10/1/2029	4,414,000
Water and Sewer Series 2010A	1,555,000	$290,000 to $335,000	2.00% to 4.00%	10/1/2015	965,000
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	1,537,000	$86,000 to $124,000	2.900%	4/1/2027	1,451,000
Water and Sewer Series 2013	2,552,000	$143,000 to $200,000	2.420%	10/1/2028	2,552,000
	$ 62,264,000				$ 57,872,000

Build America Bonds ("BAB") are federally taxable but the City receives a subsidy from the Internal Revenue Service equal to 26.3% of the interest paid.

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Revenue Bonds (Continued)

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Totals
2014	$ 1,871,000	$ 2,556,228	$ 4,427,228
2015	2,326,000	2,487,615	4,813,615
2016	1,521,000	1,054,319	2,575,319
2017	2,323,000	1,957,493	4,280,493
2018	2,739,000	2,215,668	4,954,668
2019 -2023	13,611,000	9,317,467	22,928,467
2024 -2028	14,226,000	6,513,528	20,739,528
2029 -2033	13,745,000	2,897,371	16,642,371
2034 -2038	5,125,000	329,428	5,454,428
2039	385,000	6,738	391,738
	$ 57,872,000	$ 29,335,855	$ 87,207,855

Capital Lease and Notes Payable

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, 2013, the note payable balance for services fees collected was $182,472. During 2012, the City created an enterprise fund (telecom) to account for the activity of this service contract.

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	07/01/12	Increases	Decreases	06/30/13	Due in One Year
Governmental activities					
Bonds payable:					
Excise tax revenue	$ 1,880,000	$ -	$ (240,000)	$ 1,640,000	$ 250,000
Lease revenue	26,235,000	8,990,000	(795,000)	34,430,000	820,000
General obligation	2,705,000	-	(290,000)	2,415,000	300,000
Add: unamortized premiums and discounts	364,466	(90,890)	(22,182)	251,394	-
Total bonds payable	31,184,466	8,899,110	(1,347,182)	38,736,394	1,370,000
Note payable	120,000	-	(15,000)	105,000	15,000
Compensated absences	244,538	260,373	(195,630)	309,281	247,425
Governmental activities, long-term liabilities	$ 31,549,004	$ 9,159,483	$ (1,557,812)	$ 39,150,675	$ 1,632,425
Business-type activities					
Bonds payable:					
Water and Sewer	$ 20,027,000	$ 2,552,000	$ (777,000)	$ 21,802,000	$ 801,000
Add: unamortized premium	178,620	-	(9,222)	169,398	-
Total bonds payable	20,205,620	2,552,000	(786,222)	21,971,398	801,000
Notes payable	289,737	31,630	(24,291)	297,076	24,604
Capital lease	67,461	-	(44,495)	22,966	22,966
Compensated absences	86,012	87,827	(68,810)	105,029	84,022
Business-type activities, long-term liabilities	$ 20,648,830	$ 2,671,457	$ (923,818)	$ 22,396,469	$ 932,592

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

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, 2013:

Year Ending June 30,	Business-type Activities Fluoridation Equipment Lease
2014	$ 24,231
Total minimum lease payments	24,231
Less: amount representing interest	(1,265)
Present value of net minimum lease payments	$ 22,966

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, 2013 there were no outstanding unpaid claims. Also, the City had no claim settlements during the three years ending June 30, 2013 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.

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Other Information (Continued)

Redevelopment Agency In connection with the activities of the Redevelopment Agency (RDA), incremental tax revenues totaling $2,073,445 were generated. The RDA was not required to pay any portion of this revenue to other taxing agencies.

During the year ended June 30, 2013, funds expended by the RDA were limited to the categories of redevelopment, administration costs, and debt service. Administrative costs totaled $307,934, disbursements to developers totaled $65,866, and debt service costs totaled $2,258,723. 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 statues.

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; 16.04% to the Local Government Noncontributory Division Tier 1 and 12.74% 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.

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, 2013, 2012 and 2011, were equal to the required contributions for each year. The contribution amounts are as follows:

	2013	2012	2011
Local Governmental Noncontributory Retirement System	$ 524,914	$ 444,233	$ 449,711
Public Safety Retirement System for Employers with Social Security Coverage **	-	17,568	495,250
Firefighters Retirement System **	-	11,038	318,362

** Effective June 30, 2012, the City entered into an agreement with the Unified Police Department and Unified Fire Authority to provide public safety functions for its citizens. All assets and related employees were transferred to these entities. All Utah State Retirement contribution obligations were also transferred.

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 $84,333, $63,918, and $149,253, for the years ended June 30, 2013, 2012 and 2011, 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 $68,335, $118,162, and $248,512, for the years ended June 30, 2013, 2012 and 2011, respectively.

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

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 $19,382, $92,648, and $36,080, for the years ended June 30, 2013, 2012 and 2011, respectively.

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. PRIOR PERIOD ADJUSTMENTS

During 2013, the City changed the accounting for its investment in South Valley Water Reclamation Facility (SVWRF), as recorded in the Public Utilities fund, from the equity method to the cost method, as no additional future capital contributions for expansion will be necessary and no residual income will result from the investment. The result of this change increased the investment in SVWRF and net position by $1,568,761 in the Public Utilities fund as of June 30, 2012.

The City implemented Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Previously, costs incurred by the City to incur new debt were capitalized and amortized over the life of the debt. Statement 65 requires that all debt issuance costs be expensed in the period in which they are incurred, including unamortized debt issuance costs. The result of this change decreased bond issuance costs and net position by $700,620 and $451,437 on the Statement of Net Position for governmental activities and business-type activities, respectively, as of June 30, 2012.

SUPPLEMENTAL INFORMATION

MIDVALE CITY CORPORATION
Combining Statement of Net Position – Nonmajor Proprietary Funds
June 30, 2013

	Street Lighting	Telecom	Total
ASSETS			
Current assets:			
Cash and cash equivalents			
Unrestricted	$ 176,061	$ 48,206	$ 224,267
Receivables:			
Accounts	23,231	354	23,585
Contracts receivable	-	12,060	12,060
Total current assets	199,292	60,620	259,912
Noncurrent assets:			
Contracts receivable	-	190,125	190,125
Notes receivable	-	73,615	73,615
Total noncurrent assets	-	263,740	263,740
Total assets	$ 199,292	$ 324,360	$ 523,652
LIABILITIES			
Current liabilities:			
Accounts payable	$ 14,592	$ -	$ 14,592
Note payable	-	9,604	9,604
Total current liabilities	14,592	9,604	24,196
Noncurrent liabilities:			
Note payable	-	182,472	182,472
Total noncurrent liabilities	-	182,472	182,472
Total liabilities	14,592	192,076	206,668
NET POSITION			
Unrestricted	184,700	132,284	316,984
Total net position	184,700	132,284	316,984
Total liabilities and net position	$ 199,292	$ 324,360	$ 523,652

MIDVALE CITY CORPORATION
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds
For the Year Ended June 30, 2013

	Street Lighting	Telecom	Total
OPERATING REVENUES			
Charges for services	$ 112,609	$ 15,429	$ 128,038
Street lighting charges	-	-	-
Total operating revenues	112,609	15,429	128,038
OPERATING EXPENSES			
Street lighting	172,909	-	172,909
Telecommunications	-	793,249	793,249
Total operating expenses	172,909	793,249	966,158
Operating income (loss)	(60,300)	(777,820)	(838,120)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	-	1	1
Total nonoperating revenues (expenses)	-	1	1
Income before transfers	(60,300)	(777,819)	(838,119)
Transfers in	245,000	853,613	1,098,613
Change in net position	184,700	75,794	260,494
Total net position - beginning	-	56,490	56,490
Total net position - ending	$ 184,700	$ 132,284	$ 316,984

MIDVALE CITY CORPORATION
Combining Statement of Cash Flows – Nonmajor Proprietary Funds
For the Year Ended June 30, 2013

	Street lighting	Telecom	Total
Cash flows from operating activities			
Receipts from customers	$ 89,378	$ (8,068)	$ 81,310
Payments to suppliers	(158,317)	(793,249)	(951,566)
Net cash provided (used) by operating activities	(68,939)	(801,317)	(870,256)
Cash flows from noncapital financing activities			
Transfers to other funds	245,000	853,613	1,098,613
Net cash provided by noncapital financing activities	245,000	853,613	1,098,613
Cash flows from capital and related financing activities			
Increase in contracts receivable	-	(26,431)	(26,431)
Principle paid on note payable	-	(9,290)	(9,290)
Proceeds from note payable	-	31,630	31,630
Net cash provided (used) by capital and related financing activities	-	(4,091)	(4,091)
Cash flows from investing activites			
Interest received	-	1	1
Net cash provided by investing activities	-	1	1
Net increase in cash and cash equivalents	176,061	48,206	224,267
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	$ 176,061	$ 48,206	$ 224,267
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ (60,300)	$ (777,820)	$ (838,120)
Changes in assets and liabilities:			
Accounts receivable	(23,231)	(354)	(23,585)
Contracts receivable	-	(23,053)	(23,053)
Accounts payable	14,592	(90)	14,502
Net cash provided (used) by operating activities	$ (68,939)	$ (801,317)	$ (870,256)

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, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Interest income	$ 1,000	$ 1,000	$ 1,411	$ 411
Total revenues	1,000	1,000	1,411	411
EXPENDITURES				
Capital outlay	2,209,500	3,108,300	1,116,102	1,992,198
Total expenditures	2,209,500	3,108,300	1,116,102	1,992,198
Excess (deficiency) of revenues over (under) expenditures	(2,208,500)	(3,107,300)	(1,114,691)	1,992,609
OTHER FINANCING SOURCES				
Transfers in	2,069,100	2,785,900	2,483,501	(302,399)
Total other financing sources	2,069,100	2,785,900	2,483,501	(302,399)
Net change in fund balance	$ (139,400)	$ (321,400)	1,368,810	$ 1,690,210
Fund balance at beginning of year			308,816	
Fund balance at end of year			$ 1,677,626	

MIDVALE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Communities Building Communities
For the Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ -	$ 117,500	$ 115,327	$ (2,173)
Charges for service	-	20,000	21,544	1,544
Interest income	-	-	27	27
Miscellaneous	1,000	1,000	2,430	1,430
Total revenues	1,000	138,500	139,328	828
EXPENDITURES				
Community development	2,209,500	3,108,300	164,148	2,944,152
Total expenditures	2,209,500	3,108,300	164,148	2,944,152
Excess (deficiency) of revenues over (under) expenditures	(2,208,500)	(2,969,800)	(24,820)	2,944,980
OTHER FINANCING SOURCES				
Transfers in	-	35,800	-	(35,800)
Total other financing sources	-	35,800	-	(35,800)
Net change in fund balance	$ (2,208,500)	$ (2,934,000)	(24,820)	$ 2,909,180
Fund balance at beginning of year			38,923	
Fund balance at end of year			$ 14,103	

COMPLIANCE SECTION

Hansen, Bradshaw, Malmrose & Erickson
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
Midvale City Corporation

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation ("the City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 4, 2013.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material

weaknesses. We did identify certain deficiencies in internal control, which are described in a separate letter to management, dated August 15, 2013.

Compliance and Other Matters

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

Purpose of this Report

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

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

December 4, 2013

Hansen, Bradshaw, Malmrose & Erickson

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CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE IN ACCORDANCE WITH THE *STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE*

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
Midvale City Corporation

Compliance

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

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

- Cash Management
- Budgetary Compliance
- Fund Balance
- Justice Courts
- Impact Fees
- Utah Retirement Systems Compliance
- Locally Generated Taxes and Fees
- Public Debt
- Purchasing Requirements
- Government Records Access Management Act
- Conflicts of Interest
- Open and Public Meetings Act

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

B & C Road Funds (Department of Transportation)

Management's Responsibility

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

Auditors' Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City and its major programs occurred. An audit includes examining, on a test basis, evidence

about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion

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

Internal Control over Financial Reporting

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, which are described in a separate letter to management, dated August 15, 2013.

Purpose of This Report

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

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

December 4, 2013