

**MIDVALE CITY CORPORATION
MIDVALE, UTAH**

**Basic Financial Statements and
Supplementary Information**

Year Ended June 30, 2014

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

MIDVALE CITY CORPORATION

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FINANCIAL SECTION

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

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INDEPENDENT AUDITORS' REPORT

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Honorable Mayor and Members of the City Council
Midvale City Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Midvale City Corporation ("the City") as of and for the year ended June 30, 2014, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Midvale City Corporation as of June 30, 2014, 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 3-18 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 22, 2014 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 22, 2014

Midvale City Corporation
Management's Discussion and Analysis
June 30, 2014

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, 2014. 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 \$94,406,723. 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 \$1,816,048 in FY 2014.
- Total assets increased by \$1.3 million in FY 2014.
- Net expenses from governmental activities total \$7,943,988 for FY 2014. 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 \$10,206,910. The variance is due to the reclassification of revenues of the RDA from taxes to contributions from other governmental entities.
- General Fund revenues increased by \$1.6 million over last year, and expenditures increased by \$1.3 million over last year. Revenues exceeded expenditures by \$3.3 million.

- The City's General Fund unassigned fund balance on June 30, 2014 is \$2,714,040. This is equal to 20% of the original adopted budget (\$13,472,600) for the General Fund for FY 2014. Utah state law prohibits fund balances in excess of twenty five percent or less than five percent of budgeted revenue.

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 Midvale Arts Council is a separate legal entity from the City and does not function as part of the City and therefore is not presented as a discretely presented component unit of the City in the financial statements. The City does, however, provide venues for performances by the Arts Council at no cost.

The Midvale Community Building Communities (CBC) organization is a separate legal entity from the City and does not function as part of the City. However, program services of CBC mainly benefit residents of Midvale. Therefore, CBC is presented as a discretely presented component unit of the City.

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

Fund financial statements

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

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

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

Midvale City uses four different individual governmental funds: General Fund, Capital Projects Fund, Redevelopment Agency Fund, and Municipal Building Authority Fund. Information is shown separately for each of these funds, and each fund is deemed a major 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, and comparison of budget to actual for the Capital Projects Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

| | Governmental Activities | | Business-type Activities | |
|---|-------------------------|-----------------------|--------------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Assets: | | | | |
| Current and other assets | \$ 16,181,896 | \$ 22,505,648 | \$ 15,042,082 | \$ 13,637,999 |
| Capital assets | 90,742,026 | 85,799,393 | 39,055,827 | 37,758,128 |
| Total Assets | 106,923,922 | 108,305,041 | 54,097,909 | 51,396,127 |
| Liabilities: | | | | |
| Current and other liabilities | 3,697,094 | 1,731,778 | 2,061,685 | 847,844 |
| Deferred inflows of resources | 1,048,637 | 3,301,071 | | |
| Long term liabilities | 36,439,378 | 38,903,250 | 23,368,314 | 22,312,447 |
| Total Liabilities | 41,185,109 | 43,936,099 | 25,429,999 | 23,160,291 |
| Net position: | | | | |
| Net investment in | | | | |
| Capital assets | 74,464,507 | 83,516,093 | 19,014,743 | 18,958,384 |
| Restricted | 3,752,036 | 10,410,955 | - | - |
| Unrestricted | (12,477,730) | (29,558,106) | 9,653,167 | 9,277,452 |
| Total Net Position | 65,738,813 | 64,368,942 | 28,667,910 | 28,235,836 |
| Total Liabilities and Net Position | \$ 106,923,922 | \$ 108,305,041 | \$ 54,097,909 | \$ 51,396,127 |

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 an increase of \$1,383,974 in Total Net Position. Business-type Activities exhibit an increase of \$432,074.

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 | |
|--|-------------------------|-------------------|--------------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 4,075,228 | \$ 4,718,881 | \$ 7,958,502 | \$ 7,611,230 |
| Operating grants and contributions | 4,683,624 | 810,028 | 116,744 | 95,120 |
| Capital grants and contributions | 793,079 | 1,828,838 | - | - |
| General revenues: | | | | |
| Property taxes | 1,081,837 | 3,255,513 | - | - |
| Other taxes | 8,762,949 | 8,110,259 | - | - |
| Unrestricted investment | | | | |
| Earnings | 85,590 | 77,128 | 40,015 | 31,167 |
| Other | 138,886 | 196,880 | - | - |
| Total revenues | 19,621,193 | 18,997,527 | 8,115,261 | 7,737,517 |
| Expenses: | | | | |
| General government | 5,256,415 | 5,445,086 | - | - |
| Public safety | 6,050,012 | 5,714,868 | - | - |
| Highways and public improvements | 2,967,910 | 3,277,687 | - | - |
| Parks and recreation | 715,784 | 764,440 | - | - |
| Redevelopment | 704,130 | 373,800 | - | - |
| Interest on long-term debt | 1,801,668 | 1,988,776 | - | - |
| Water and sewer | - | - | 5,170,826 | 4,996,524 |
| Storm Water | - | - | 1,366,964 | 1,243,205 |
| Sanitation | - | - | 951,112 | 956,355 |
| Telecommunications | - | - | 808,618 | 793,249 |
| Street Lighting | - | - | 160,791 | 172,909 |
| Loss on equity investment | - | - | (33,824) | (28,328) |
| Total expenses | 17,495,919 | 17,564,657 | 8,424,487 | 8,133,919 |
| Increase (decrease) in net position before transfers | 2,125,274 | 1,432,870 | (309,226) | (396,402) |
| Transfers | (741,300) | (963,213) | 741,300 | 963,213 |
| Increase (decrease) in net position | 1,383,974 | 469,657 | 432,074 | 566,811 |
| Net position – beginning (restated) | 64,354,839 | 63,899,285 | 28,235,836 | 27,669,025 |
| Net position – ending | \$ 65,738,813 | \$ 64,368,942 | \$ 28,667,910 | \$ 28,235,836 |

Total revenues for Governmental Activities increased by \$623,666. Charges for services decreased by \$643,653, and total grants increased by \$2.8 million. Property tax revenue decreased by \$2,173,676 due to reclassification of RDA revenues, and other taxes increased by \$652,690.

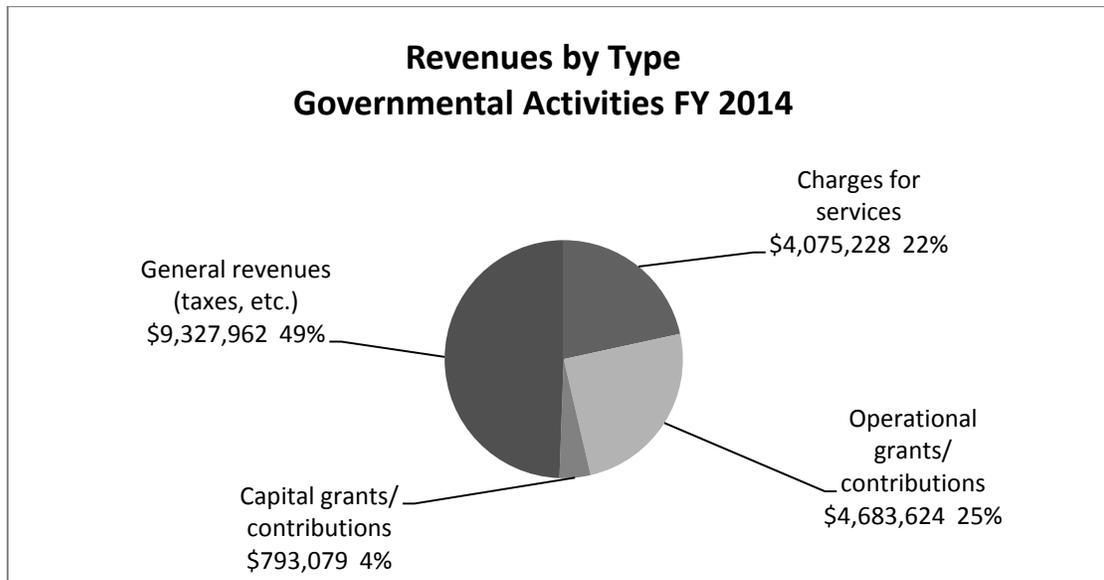
Total expenses for Governmental Activities decreased by \$68,738. Public safety expenses increased by \$335,144, expenses for highways and public improvements decreased by \$309,777, redevelopment expenses increased by \$330,330 and interest on long-term debt decreased by \$187,108.

Total revenues for Business-type Activities increased by \$377,744.

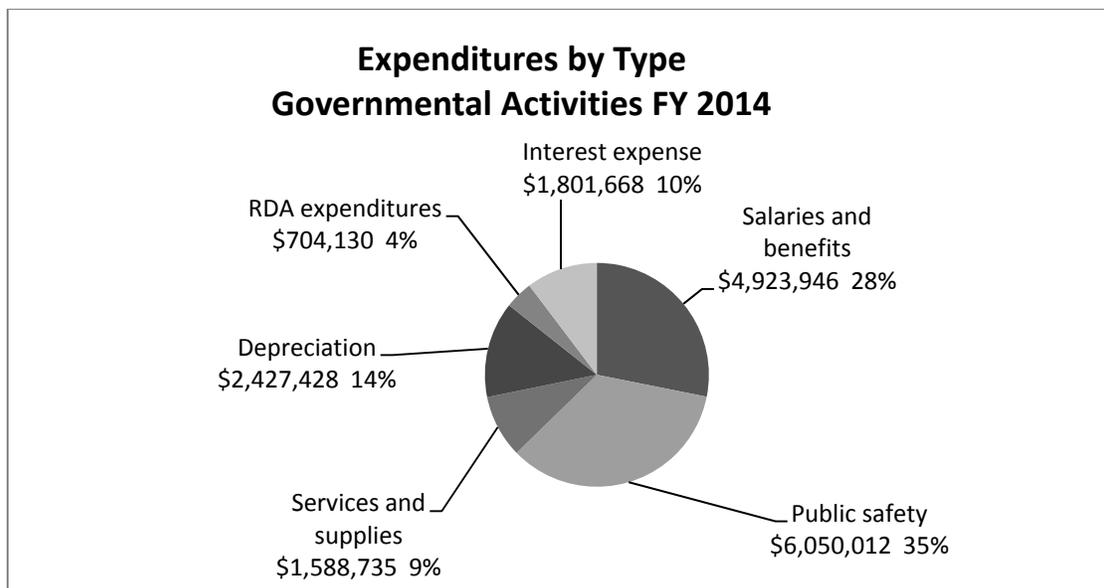
Total expenses for Business-type Activities increased by \$290,568. Water and sewer expenses increased by \$174,302 and storm water expenses increased by \$123,759.

Governmental Activities

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

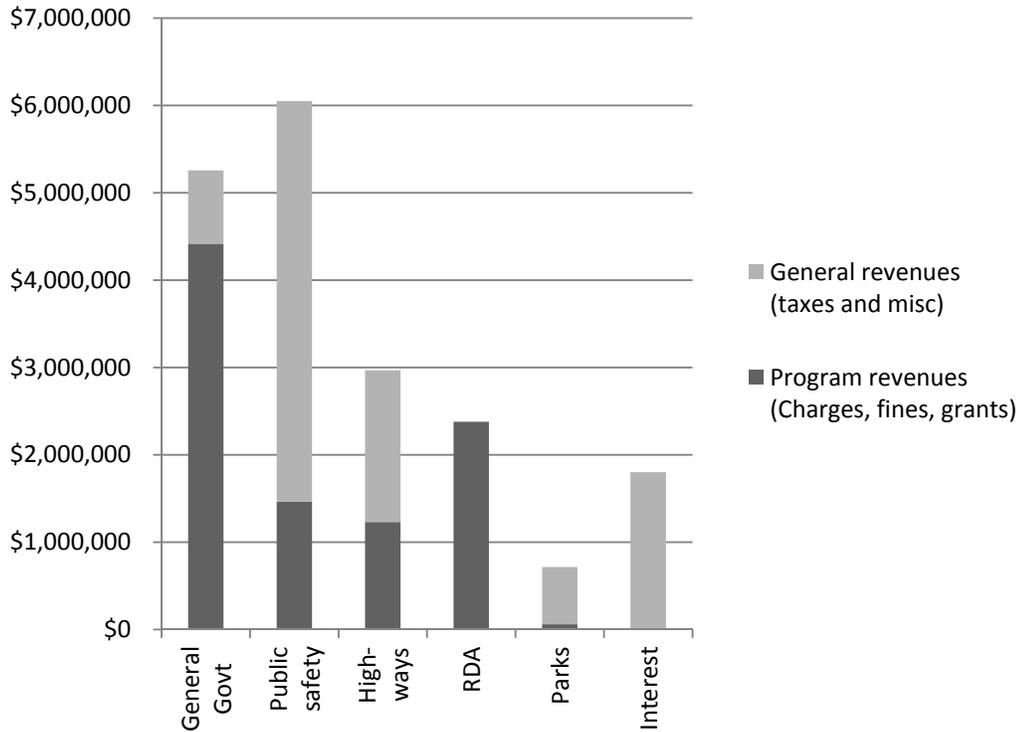


The chart above illustrates the reliance on tax revenues by the government funds. Charges for services include administrative fees assessed to the City's enterprise funds (Business-type Activities)



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

Source or revenue (program or general) for Governmental Programs - FY 2014

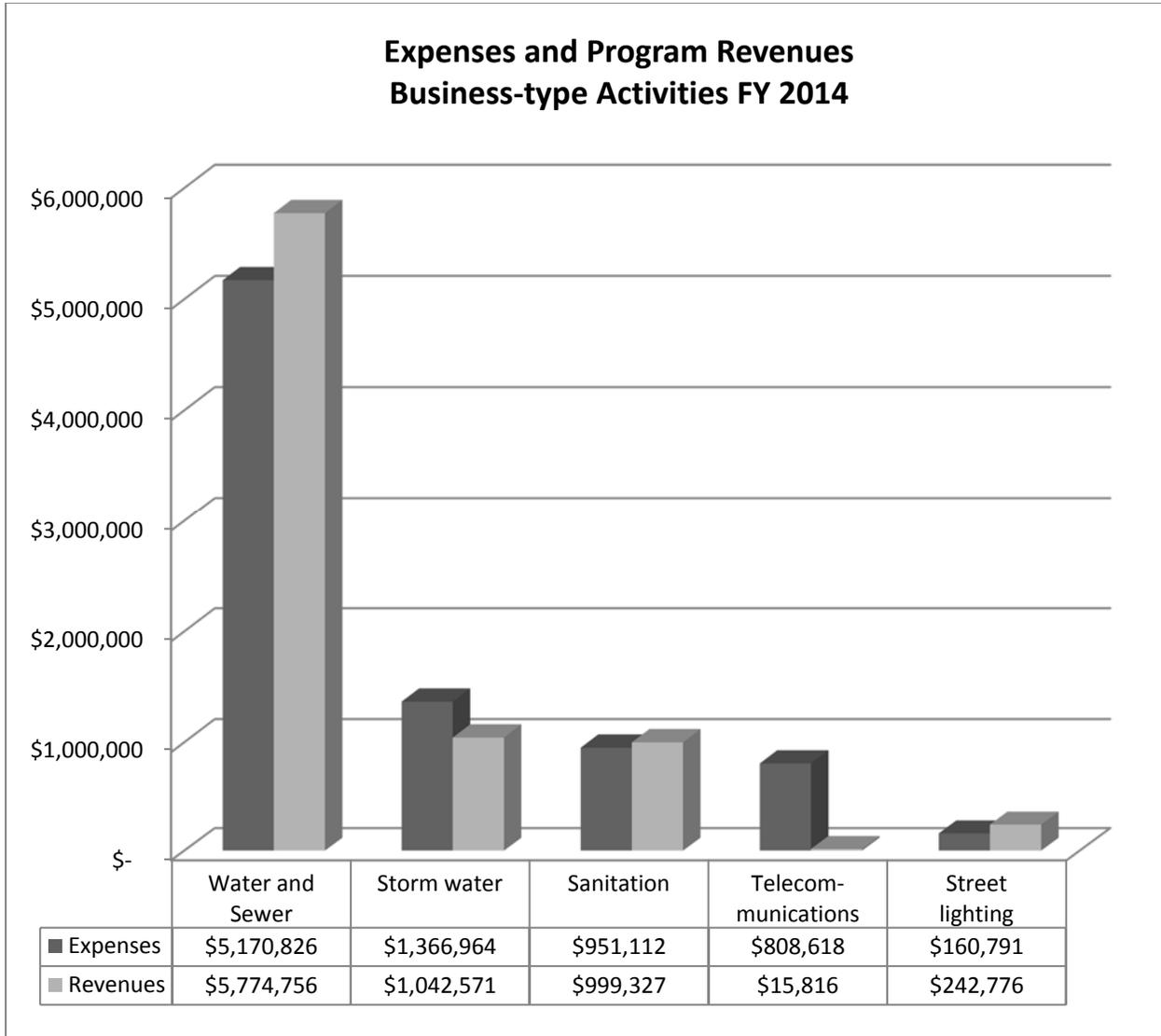


This graph illustrates how programs are funded. The dark section of the bar represents program revenues, such as charges for services, court fines, and intergovernmental grants. The light section of the bar represents the amount of general revenues required to fund the programs. General revenues consist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

Clearly, program revenues alone do not cover program expenses. Revenues raised from taxes (\$12.2 million in FY 2014) provide the additional funding needed to operate the programs of the General Government.

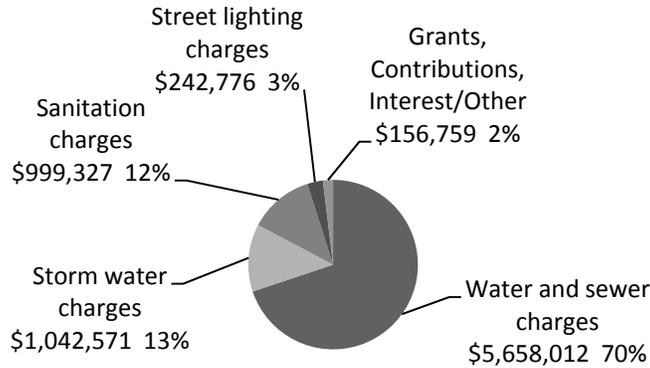
Business-type Activities

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



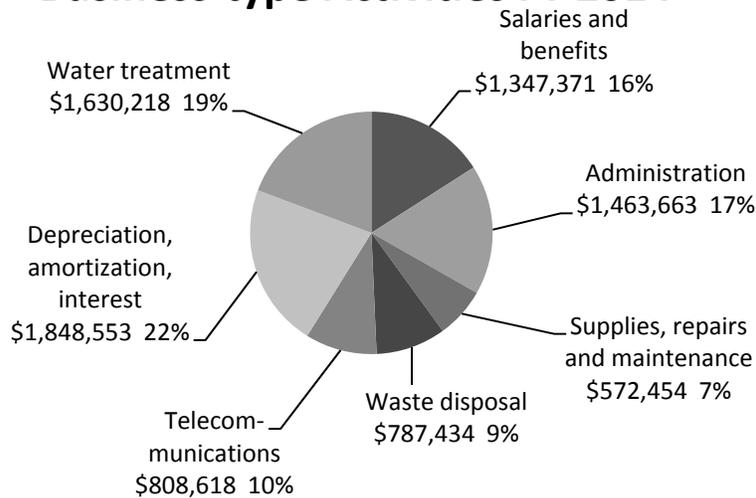
Business-type activities generally charge and receive only the amounts required to cover expenditures of operations plus reserves for future capital improvements.

Charges for Service by Program and Capital Contributions for all funds Business-type Activities FY 2014



This graph illustrates user charges received for services for each of the separate funds, and grants and contributions for all funds combined.

Expenditures by Type Business-type Activities FY 2014



This graph represents expenses of Business-type Activities. Depreciation for FY 2014 totaled \$1,070,126 and interest expense totaled \$787,649.

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, 2014.

For the period ending June 30, 2014, the City's governmental funds reported a combined fund balance amount of \$10,948,951, a decrease of \$4.9 million from June 30, 2013. Total assets decreased by \$6.2 million, total liabilities increased by \$1.0 million and deferred inflows of resources decreased by \$2.4 million.

Of the total combined fund balance at year end, \$2,714,040 is unassigned, or available for appropriation. Restricted fund balance of \$3,745,483 consists mostly of unexpended bond proceeds reserved for specific projects. Assigned fund balance includes \$1,512,143 which is reserved for Special Revenue funds (Redevelopment Agency and Municipal Building Authority) and \$2,827,155 which is reserved for capital projects.

The General Fund is the main operating fund for Midvale City Corporation. At June 30, 2014, fund balance is \$2,960,415. \$246,375 is restricted for debt service on Excise Tax Revenue Bonds. The remaining \$2,714,040 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 2014. 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 \$4,249 in FY 2014.

The Capital Projects Fund has a total fund balance of \$2,827,155 at June 30, 2014. The fund balance increased by \$1,149,529 in Fiscal Year 2014 mostly due to transfers from the General Fund. Expenditures in the Capital Projects Fund include \$1,059,847 for improvements to city streets and \$417,579 in other capital improvements.

The Redevelopment Agency (RDA) of Midvale City has a decrease in fund balance of \$426,473. Revenues from property taxes contributed by other government entities, and interest income were sufficient to cover expenditures for debt service 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 2014 is the fifth year the agency has received property tax revenues. Contributions of property tax revenues from other agencies for FY 2014 totaled \$2,378,256. 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.

Information provided by the City's proprietary funds is similar to the information found in the government-wide financial statements; however, the fund information provides more detail. Unrestricted net position of the City's proprietary funds totaled \$7,811,089 for Public Utilities (water and sewer), \$131,816 for Storm Water, \$1,177,496 for Sanitation and \$532,766 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, monthly amount 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 \$1,240,280 as of June 30, 2014.

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 2014 reflect the following:

- Budgeted revenues from operations increased by \$1,537,700 primarily due to increased intergovernmental revenues and tax revenues.
- Budgeted expenditures increased by \$754,700. The largest single driver of the increase is public safety which increased by \$260,500.
- Transfers in decreased by \$104,100, and transfers out increased by \$2,010,600.
- Actual General Fund revenues were \$41,675 below budget and actual General fund expenditures were \$84,096 below budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Midvale City's investment in capital assets is \$129,797,853 (\$93,835,420 net of related debt) as of June 30, 2014. 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 | |
| | 2014 | 2013 | 2014 | 2013 |
| Land and water rights | \$ 60,207,533 | \$ 60,032,213 | \$ 3,196,361 | \$ 3,196,361 |
| Infrastructure | 17,942,798 | 18,830,454 | 2,990,438 | 2,455,739 |
| Buildings | 4,558,470 | 4,913,100 | 2,044,974 | 1,855,567 |
| Improvements other than buildings | 528,958 | 710,335 | 29,739,117 | 29,512,539 |
| Machinery and equipment | 987,531 | 782,352 | 32,162 | 44,062 |
| Construction in progress | 6,516,736 | 530,939 | 1,052,775 | 693,860 |
| Total | \$ 90,742,026 | \$ 85,799,393 | \$ 39,055,827 | \$ 37,758,128 |

Midvale City's long-term debt, including compensated absences and unamortized premiums, is \$62,098,231. This is well below the City's legal debt capacity imposed by the state.

New debt issued in FY 2014 consists of Water, Sewer and Storm Water Revenue bonds in the amount of \$2,800,000. These bonds mature in October 2029.

Remaining debt issued in prior years includes:

- General obligation bonds (\$2,115,000), maturing September 2019
- Excise tax revenue bonds (\$1,390,000), maturing April 2019
- 2007 Water and Sewer Revenue Bonds (\$9,833,000), maturing October 2032
- 2010 Water and Sewer Revenue Bonds (\$7,250,000), maturing October 2030
- RDA Revenue Bonds (\$24,620,000), maturing May 2034
- 2012 Water and Sewer Refunding Bonds (\$1,366,000), maturing April 2027
- 2013 Water, Sewer and Storm Water Revenue Bonds (\$2,552,000), maturing October 2028
- MBA Lease Revenue Bonds (\$8,990,000), maturing October 2038
- Commitment to Salt Lake County for the relocation of flood channels (\$195,000)
- (\$209,024) representing the balance due to the Utah Infrastructure Agency from related notes receivable
- Compensated absences including vacation (\$392,315), payable to employees upon termination of employment

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The largest revenue source for the General Fund is sales tax, which makes up 42% of total city revenues. Sales tax revenues continue to grow; however, growth has slowed during the last few months of FY 2014. The City is projecting an increase in sales tax revenues of 6 percent in FY 2015.

Construction activity in the City is going strong. For FY 2014 there were 212 residential dwelling units permitted and non-residential growth was valued at \$8.8 million. The additional residential rooftops in 2013/2014 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 85% of the 75 acres of open space being developed with the remainder targeted for completion within a few years.

The FY 2015 budget funded necessary increases in health insurance (9.5% increase) and retirement benefits (7% increase). A merit increase averaging 2.0% for employees was approved, and increases in contract services for police and animal control were approved. A new full-time position was created (building permit technician) and approved for FY 2015. Legal services for the City will be contracted, replacing five full-time employees with services from a local law firm. The savings approximates \$60,000 per year.

There are no significant General Fund fee increases in FY 2015. There are also no rate increases in water, street lighting and garbage rates. Sewer rates increased by 10% in Service Area 1 (historic Midvale) due to increasing maintenance and repair costs associated with the aging infrastructure. Sewer rates for Service Area 2 (Bingham Junction) did not change. Storm water rates increased by 50% due to increasing federal and state regulations. Although 50% may seem like a large increase, the dollar amount of the increase is only \$2.54.

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. In the future, should the City choose to run this system as a utility, the budget or funding mechanism is already in place. In the FY 2015 Budget we are appropriating \$800,000 to cover debt payments and \$125,000 to cover Utopia O & M costs.

The City created a new Information Technology Fund for FY 2015. This fund was established to provide maintenance for information technology hardware and software. The fund charges each city department an annual fee for this service. The fund also collects replacement funds from each department in anticipation of replacing computers at the end of their useful life

(four years for desktop computers). If a computer has a four year life, the department will contribute $\frac{1}{4}$ of the replacement cost of the computer each year for four years following the year of purchase. This has the effect of smoothing annual department budgets.

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, 7505 South Holden Street, Midvale, Utah 84047.

MIDVALE CITY CORPORATION
Statement of Net Position
June 30, 2014

| | Governmental Activities | Business-type Activities | Total | Component Unit Communities Building Communities |
|--|------------------------------------|-------------------------------------|----------------------|--|
| ASSETS | | | | |
| Cash and cash equivalents: | | | | |
| Unrestricted | \$ 8,565,852 | \$ 4,999,974 | \$ 13,565,826 | \$ 999 |
| Restricted | 3,752,036 | 4,306,262 | 8,058,298 | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Accounts and taxes | 2,490,959 | 798,838 | 3,289,797 | - |
| Contracts | - | 220,024 | 220,024 | - |
| Court fines | 918,685 | 35,468 | 954,153 | - |
| Due from other governments | 268,165 | - | 268,165 | - |
| Prepays and deposits | 36,069 | 45,663 | 81,732 | - |
| Intangible assets | - | 4,442,253 | 4,442,253 | - |
| Note receivable | - | 193,600 | 193,600 | - |
| Land held for resale | 150,130 | - | 150,130 | - |
| Capital assets not being depreciated: | | | | |
| Water stock | - | 3,081,299 | 3,081,299 | - |
| Land | 60,207,533 | 115,062 | 60,322,595 | - |
| Construction in progress | 6,516,736 | 1,052,775 | 7,569,511 | - |
| Capital assets, net of accumulated depreciation: | | | | |
| Buildings | 4,558,470 | 2,044,974 | 6,603,444 | - |
| Improvements other than buildings | 528,958 | 32,729,555 | 33,258,513 | - |
| Equipment | 987,531 | 32,162 | 1,019,693 | - |
| Infrastructure | 17,942,798 | - | 17,942,798 | - |
| Total assets | 106,923,922 | 54,097,909 | 161,021,831 | 999 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 1,250,113 | 680,814 | 1,930,927 | 308 |
| Accrued liabilities | 208,181 | 39,910 | 248,091 | - |
| Accrued interest payable | 316,367 | 253,093 | 569,460 | - |
| Compensated absences | 237,433 | 76,417 | 313,850 | - |
| Bonds and notes payable | 1,685,000 | 1,011,451 | 2,696,451 | 30,626 |
| Noncurrent liabilities: | | | | |
| Bonds and notes payable | 35,745,716 | 23,263,749 | 59,009,465 | - |
| Compensated absences | 59,359 | 19,106 | 78,465 | - |
| Deposits held | 634,303 | 85,459 | 719,762 | - |
| Total liabilities | 40,136,472 | 25,429,999 | 65,566,471 | 30,934 |
| Deferred inflows of resources: | | | | |
| Unavailable revenue property taxes | 1,048,637 | - | 1,048,637 | - |
| Total deferred inflows of resources | 1,048,637 | - | 1,048,637 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 74,464,507 | 19,014,743 | 93,479,250 | - |
| Restricted for: | | | | |
| Capital projects and redevelopment | 3,752,036 | - | 3,752,036 | - |
| Unrestricted | (12,477,730) | 9,653,167 | (2,824,563) | (29,935) |
| Total net position | \$ 65,738,813 | \$ 28,667,910 | \$ 94,406,723 | \$ (29,935) |

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

MIDVALE CITY CORPORATION
Statement of Activities
For the Year Ended June 30, 2014

| Function/Programs | Program Revenues | | | | Net (Expense) Revenues and Changes in Net Position | | | Component Unit |
|--|-------------------|-------------------------|--|--|---|-----------------------------|----------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | Communities Building Communities |
| Governmental activities | | | | | | | | |
| General government | \$ 5,256,415 | \$ 2,656,868 | \$ 1,760,041 | \$ - | \$ (839,506) | | \$ (839,506) | |
| Public safety | 6,050,012 | 1,357,735 | 107,639 | - | (4,584,638) | | (4,584,638) | |
| Highways and public improvements | 2,967,910 | - | 437,688 | 793,079 | (1,737,143) | | (1,737,143) | |
| Parks, recreation and public property | 715,784 | 60,625 | - | - | (655,159) | | (655,159) | |
| Redevelopment | 704,130 | - | 2,378,256 | - | 1,674,126 | | 1,674,126 | |
| Interest on long-term debt | 1,801,668 | - | - | - | (1,801,668) | | (1,801,668) | |
| Total governmental activities | 17,495,919 | 4,075,228 | 4,683,624 | 793,079 | (7,943,988) | | (7,943,988) | |
| Business-type activities | | | | | | | | |
| Public utilities - water and sewer | 5,170,826 | 5,658,012 | 116,744 | - | | \$ 603,930 | 603,930 | |
| Storm water | 1,366,964 | 1,042,571 | - | - | | (324,393) | (324,393) | |
| Sanitation | 951,112 | 999,327 | - | - | | 48,215 | 48,215 | |
| Telecommunications | 808,618 | 15,816 | - | - | | (792,802) | (792,802) | |
| Street lighting | 160,791 | 242,776 | - | - | | 81,985 | 81,985 | |
| Equity investment income | (33,824) | - | - | - | | 33,824 | 33,824 | |
| Total business-type activities | 8,424,487 | 7,958,502 | 116,744 | - | | (349,241) | (349,241) | |
| Component units | | | | | | | | |
| Program services | 118,431 | 34,967 | 116,283 | - | | | | \$ 32,819 |
| Administrative | 76,859 | - | - | - | | | | (76,859) |
| Total component unit | 195,290 | 34,967 | 116,283 | - | | | | (44,040) |
| General Revenues: | | | | | | | | |
| Taxes | | | | | | | | |
| Property taxes | | | | | 1,081,837 | - | 1,081,837 | - |
| Sales taxes | | | | | 5,930,672 | - | 5,930,672 | - |
| Telecommunications and franchise taxes | | | | | 2,832,277 | - | 2,832,277 | - |
| Interest income | | | | | 85,590 | 40,015 | 125,605 | 2 |
| Miscellaneous | | | | | 138,886 | - | 138,886 | - |
| Transfers - net | | | | | (741,300) | 741,300 | - | - |
| Total general revenue and transfers | | | | | <u>9,327,962</u> | <u>781,315</u> | <u>10,109,277</u> | <u>2</u> |
| Change in net position | | | | | 1,383,974 | 432,074 | 1,816,048 | (44,038) |
| Net position - beginning | | | | | 64,354,839 | 28,235,836 | 92,590,675 | 14,103 |
| Net position - ending | | | | | <u>\$ 65,738,813</u> | <u>\$ 28,667,910</u> | <u>\$ 94,406,723</u> | <u>\$ (29,935)</u> |

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

MIDVALE CITY CORPORATION
Balance Sheet – Governmental Funds
June 30, 2014

| | <u>Special Revenue</u> | | | | |
|--|------------------------|-----------------------------|---------------------------------|---|---|
| | <u>General</u> | <u>Capital Projects</u> | <u>Redevelopment Agency</u> | <u>Municipal Building Authority</u> | <u>Total Governmental Funds</u> |
| ASSETS | | | | | |
| Cash and cash equivalents | | | | | |
| Unrestricted | \$ 1,946,085 | \$ 3,032,340 | \$ 974,423 | \$ 1,323,317 | \$ 7,276,165 |
| Restricted | 252,928 | - | 32,305 | 3,466,803 | 3,752,036 |
| Receivables, net: | | | | | |
| Accounts receivable | 91,282 | - | - | - | 91,282 |
| Taxes | 2,399,677 | - | - | - | 2,399,677 |
| Court fines | 918,685 | - | - | - | 918,685 |
| Intergovernmental | 268,165 | - | - | - | 268,165 |
| Deposits | 36,069 | - | - | - | 36,069 |
| Land held for resale | - | - | 150,130 | - | 150,130 |
| Total assets | \$ 5,912,891 | 3,032,340 | \$ 1,156,858 | \$ 4,790,120 | \$ 14,892,209 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 236,891 | 202,310 | \$ 16,497 | \$ 762,562 | \$ 1,218,260 |
| Deposits held | 631,428 | 2,875 | - | - | 634,303 |
| Accrued liabilities | 198,880 | - | 6,538 | - | 205,418 |
| Total liabilities | 1,067,199 | 205,185 | 23,035 | 762,562 | 2,057,981 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | 1,048,637 | - | - | - | 1,048,637 |
| Unavailable revenue - fines assessed | 836,640 | - | - | - | 836,640 |
| Total deferred inflows of resources | 1,885,277 | - | - | - | 1,885,277 |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | 150,130 | - | 150,130 |
| Restricted for: | | | | | |
| Capital projects | - | - | - | 3,466,803 | 3,466,803 |
| Debt service | 246,375 | - | - | - | 246,375 |
| Redevelopment | - | - | 32,305 | - | 32,305 |
| Total restricted | 246,375 | - | 32,305 | 3,466,803 | 3,745,483 |
| Assigned to: | | | | | |
| Special revenue funds | - | - | 951,388 | - | 951,388 |
| Capital projects funds | - | 2,827,155 | - | 560,755 | 3,387,910 |
| Total assigned | - | 2,827,155 | 951,388 | 560,755 | 4,339,298 |
| Unassigned | 2,714,040 | - | - | - | 2,714,040 |
| Total fund balances | 2,960,415 | 2,827,155 | 1,133,823 | 4,027,558 | 10,948,951 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 5,912,891 | \$ 3,032,340 | \$ 1,156,858 | \$ 4,790,120 | \$ 14,892,209 |

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, 2014

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

| | |
|--|-----------------------------|
| Total Fund Balances - Total Governmental Funds (page 21) | \$ 10,948,951 |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$123,141,544 less the accumulated depreciation of \$33,044,005. | 90,097,539 |
| Interest on general obligation and lease revenue bonds is not accrued in governmental funds but rather is recognized as an expenditure when due. | (316,367) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (37,720,040) |
| Other liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | 7,323 |
| Other assets are not available to pay for current period expenditures and, therefore, are either deferred or not applicable to funds. | 836,640 |
| 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. | <u>1,884,767</u> |
| Net Position - Governmental Activities (page 19) | <u><u>\$ 65,738,813</u></u> |

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

MIDVALE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2014

| | <u>Special Revenue</u> | | | | Total Governmental Funds |
|--|------------------------|-----------------------------|---------------------------------|---|---|
| | General | Capital Projects | Redevelopment Agency | Municipal Building Authority | |
| REVENUES | | | | | |
| Taxes | \$ 9,844,786 | \$ - | \$ - | \$ - | \$ 9,844,786 |
| Licenses and permits | 887,041 | - | - | - | 887,041 |
| Intergovernmental | 2,660,759 | - | 2,815,944 | - | 5,476,703 |
| Charges for service | 2,088,987 | - | - | - | 2,088,987 |
| Fines and forfeitures | 1,257,733 | - | - | - | 1,257,733 |
| Interest income | 18,841 | 10,235 | 6,711 | 43,165 | 78,952 |
| Miscellaneous | 68,578 | - | - | 70,308 | 138,886 |
| Total revenues | 16,826,725 | 10,235 | 2,822,655 | 113,473 | 19,773,088 |
| EXPENDITURES | | | | | |
| General government | 5,085,037 | - | - | - | 5,085,037 |
| Public safety | 6,008,069 | - | - | - | 6,008,069 |
| Highways and public improvements | 1,068,817 | - | - | - | 1,068,817 |
| Parks, recreation, and public property | 658,193 | - | - | - | 658,193 |
| Redevelopment | - | - | 719,130 | - | 719,130 |
| Community development | 11,843 | - | - | - | 11,843 |
| Capital outlay | - | 1,477,426 | - | 5,898,645 | 7,376,071 |
| Debt service: | | | | | |
| Principal | 550,000 | - | 820,000 | - | 1,370,000 |
| Interest | 173,345 | - | 1,426,861 | 237,406 | 1,837,612 |
| Bond issuance costs | - | - | - | 2,000 | 2,000 |
| Total expenditures | 13,555,304 | 1,477,426 | 2,965,991 | 6,138,051 | 24,136,772 |
| Excess (deficiency) of revenues over (under) expenditures | 3,271,421 | (1,467,191) | (143,336) | (6,024,578) | (4,363,684) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from sale of assets | 246,013 | - | - | - | 246,013 |
| Transfers in | 300,000 | 2,616,720 | 85,063 | 606,800 | 3,608,583 |
| Transfers out | (3,821,683) | - | (368,200) | (160,000) | (4,349,883) |
| Total other financing sources (uses) | (3,275,670) | 2,616,720 | (283,137) | 446,800 | (495,287) |
| Net change in fund balance | (4,249) | 1,149,529 | (426,473) | (5,577,778) | (4,858,971) |
| Fund balances at beginning of year | 2,964,664 | 1,677,626 | 1,560,296 | 9,605,336 | 15,807,922 |
| Fund balances at end of year | \$ 2,960,415 | \$ 2,827,155 | \$ 1,133,823 | \$ 4,027,558 | \$ 10,948,951 |

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 Balances of
Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities (page 20) are different because:

Net change in fund balances - total governmental funds (page 23) \$ (4,858,971)

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 capital outlays exceeded depreciation in the current period.

5,107,469

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 position. 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.

1,442,901

In the statement of activities, only the 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.

(303,516)

Some revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.

(151,895)

The net revenue of certain activities of the Internal Service Fund is reported with governmental activities.

147,986

Change in net position of governmental activities (page 20)

\$ 1,383,974

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, 2014

| | <u>Budgeted Amounts</u> | | Actual Amounts | Variance with Final Budget |
|--|-------------------------|-------------------|----------------------------|---------------------------------------|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| Taxes | \$ 9,557,000 | \$ 9,557,000 | \$ 9,844,786 | \$ 287,786 |
| Licenses and permits | 698,000 | 698,000 | 887,041 | 189,041 |
| Intergovernmental | 2,672,400 | 3,156,200 | 2,660,759 | (495,441) |
| Charges for services | 1,929,800 | 1,929,800 | 2,088,987 | 159,187 |
| Fines and forfeitures | 1,456,000 | 1,456,000 | 1,257,733 | (198,267) |
| Interest income | 10,000 | 10,000 | 18,841 | 8,841 |
| Miscellaneous | 12,500 | 61,400 | 68,578 | 7,178 |
| Total revenues | <u>16,335,700</u> | <u>16,868,400</u> | <u>16,826,725</u> | <u>(41,675)</u> |
| <u>EXPENDITURES</u> | | | | |
| General government: | | | | |
| City council | 228,700 | 228,700 | 228,483 | 217 |
| Court | 822,300 | 779,300 | 779,225 | 75 |
| General administration | 504,400 | 524,400 | 511,556 | 12,844 |
| Information technology | 442,900 | 442,900 | 436,890 | 6,010 |
| Finance | 341,000 | 326,000 | 316,123 | 9,877 |
| Recorder | 279,800 | 279,800 | 273,879 | 5,921 |
| City attorney | 560,800 | 595,800 | 571,245 | 24,555 |
| Non-departmental | 217,000 | 217,000 | 216,829 | 171 |
| Community and intergovernmental services | 368,600 | 372,000 | 469,192 | (97,192) |
| Employee services | 51,700 | 43,700 | 29,385 | 14,315 |
| Community and economic development | 1,224,800 | 1,292,400 | 1,252,230 | 40,170 |
| Public safety: | | | | |
| Police | 5,911,700 | 6,008,500 | 6,008,069 | 431 |
| Highways and public improvements | 1,034,600 | 1,089,600 | 1,068,817 | 20,783 |
| Parks, recreation and public property | 736,900 | 691,900 | 658,193 | 33,707 |
| Community development | 24,000 | 24,000 | 11,843 | 12,157 |
| Debt service: | | | | |
| Principal | 550,000 | 550,000 | 550,000 | - |
| Interest | 173,400 | 173,400 | 173,345 | 55 |
| Total expenditures | <u>13,472,600</u> | <u>13,639,400</u> | <u>13,555,304</u> | <u>84,096</u> |
| Excess (deficiency) of revenues over (under) expenditures | 2,863,100 | 3,229,000 | 3,271,421 | 42,421 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Proceeds from sale of assets | 245,000 | 265,000 | 246,013 | (18,987) |
| Transfers in | 90,400 | 762,500 | 300,000 | (462,500) |
| Transfers out | (3,198,500) | (4,256,500) | (3,821,683) | 434,817 |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(4,249)</u> | <u>\$ (4,249)</u> |
| Fund balance at beginning of year | | | <u>2,964,664</u> | |
| Fund balance at end of year | | | <u><u>\$ 2,960,415</u></u> | |

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

MIDVALE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Redevelopment Agency
For the Year Ended June 30, 2014

| | <u>Budgeted Amounts</u> | | Actual Amounts | Variance with Final Budget |
|--|-------------------------|------------------|---------------------------|---------------------------------------|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| Intergovernmental | \$ 2,855,600 | \$ 2,855,600 | \$ 2,815,944 | \$ (39,656) |
| Interest income | 7,900 | 7,900 | 6,711 | (1,189) |
| Total revenues | 2,863,500 | 2,863,500 | 2,822,655 | (40,845) |
| <u>EXPENDITURES</u> | | | | |
| Redevelopment | 1,371,000 | 1,309,000 | 414,062 | 894,938 |
| Administration | 296,800 | 296,800 | 305,068 | (8,268) |
| Debt service | | | | |
| Principal | 820,000 | 820,000 | 820,000 | - |
| Interest | 1,426,800 | 1,426,800 | 1,426,861 | (61) |
| Total expenditures | 3,914,600 | 3,852,600 | 2,965,991 | 886,609 |
| Excess (deficiency) of revenues over (under) expenditures | (1,051,100) | (989,100) | (143,336) | 845,764 |
| <u>OTHER FINANCING SOURCES</u> | | | | |
| Transfers in | 1,366,900 | 1,666,900 | 85,063 | (1,581,837) |
| Transfers out | (315,800) | (677,800) | (368,200) | 309,600 |
| Total other financing sources (uses) | 1,051,100 | 989,100 | (283,137) | (1,272,237) |
| Net change in fund balance | \$ - | \$ - | (426,473) | \$ (426,473) |
| Fund balance at beginning of year | | | 1,560,296 | |
| Fund balance at end of year | | | \$ 1,133,823 | |

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

MIDVALE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Municipal Building Authority
For the Year Ended June 30, 2014

| | <u>Budgeted Amounts</u> | | Actual Amounts | Variance with Final Budget |
|--|-------------------------|--------------------|---------------------|-------------------------------|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| Lease and other revenue | \$ 242,500 | \$ 242,500 | \$ 70,308 | \$ (172,192) |
| Interest income | 45,000 | 45,000 | 43,165 | (1,835) |
| Total revenues | <u>287,500</u> | <u>287,500</u> | <u>113,473</u> | <u>(174,027)</u> |
| <u>EXPENDITURES</u> | | | | |
| Capital outlay | 8,585,200 | 9,268,900 | 5,898,645 | 3,370,255 |
| Debt service | | | | |
| Interest | 217,000 | 217,000 | 237,406 | (20,406) |
| Bond issuance costs | - | - | 2,000 | (2,000) |
| Total expenditures | <u>8,802,200</u> | <u>9,485,900</u> | <u>6,138,051</u> | <u>3,347,849</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(8,514,700)</u> | <u>(9,198,400)</u> | <u>(6,024,578)</u> | <u>3,173,822</u> |
| <u>OTHER FINANCING SOURCES</u> | | | | |
| Proceeds from bond issuance | 217,000 | 217,000 | - | (217,000) |
| Transfers in | 8,297,700 | 9,141,400 | 606,800 | (8,534,600) |
| Transfers out | - | (160,000) | (160,000) | - |
| Total other financing sources (uses) | <u>8,514,700</u> | <u>9,198,400</u> | <u>446,800</u> | <u>(8,751,600)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(5,577,778)</u> | <u>\$ (5,577,778)</u> |
| Fund balance at beginning of year | | | <u>9,605,336</u> | |
| Fund balance at end of year | | | <u>\$ 4,027,558</u> | |

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

MIDVALE CITY CORPORATION
Statement of Net Position – Proprietary Funds
June 30, 2014

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities Internal Service Fund |
|---|---|---------------------|---------------------|-------------------------------|----------------------|--|
| | Public Utilities | Storm Water | Sanitation | Other Proprietary Funds | Total | |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | | | | | | |
| Unrestricted | \$ 4,238,973 | \$ 394,319 | \$ 20,960 | \$ 345,722 | \$ 4,999,974 | \$ 1,289,687 |
| Restricted (bond) | 281,170 | 4,025,092 | - | - | 4,306,262 | - |
| Receivables: | | | | | | |
| Accounts, net | 558,270 | 105,029 | 111,746 | 23,793 | 798,838 | - |
| Contracts | - | - | - | 14,460 | 14,460 | - |
| Inventory | 35,468 | - | - | - | 35,468 | - |
| Deposits | 45,663 | - | - | - | 45,663 | - |
| <hr/> | | | | | | |
| Total current assets | 5,159,544 | 4,524,440 | 132,706 | 383,975 | 10,200,665 | 1,289,687 |
| <hr/> | | | | | | |
| Noncurrent assets: | | | | | | |
| Contracts receivable | - | - | - | 205,564 | 205,564 | - |
| Intangible asset - South Valley | | | | | | |
| Water Reclamation | 3,333,105 | - | - | - | 3,333,105 | - |
| Investment in Trans-Jordan | | | | | | |
| Cities Landfill | - | - | 1,109,148 | - | 1,109,148 | - |
| Notes receivable, less allowance for doubtful accounts | | | | | | |
| | - | - | - | 193,600 | 193,600 | - |
| Capital assets: | | | | | | |
| Land | 115,062 | - | - | - | 115,062 | - |
| Water stock | 3,081,299 | - | - | - | 3,081,299 | - |
| Construction in progress | 480,722 | 572,053 | - | - | 1,052,775 | - |
| Buildings, net | 2,044,974 | - | - | - | 2,044,974 | - |
| Improvements, net | 29,739,117 | 2,990,438 | - | - | 32,729,555 | - |
| Automobiles, net | - | - | - | - | - | 494,689 |
| Machinery and equipment, net | 32,162 | - | - | - | 32,162 | 149,798 |
| <hr/> | | | | | | |
| Total noncurrent assets | 38,826,441 | 3,562,491 | 1,109,148 | 399,164 | 43,897,244 | 644,487 |
| <hr/> | | | | | | |
| Total assets | \$ 43,985,985 | \$ 8,086,931 | \$ 1,241,854 | \$ 783,139 | \$ 54,097,909 | \$ 1,934,174 |

(Continued)

MIDVALE CITY CORPORATION
Statement of Net Position – Proprietary Funds (Continued)
June 30, 2014

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities Internal Service Fund |
|---|--|---------------------|---------------------|--|----------------------|--|
| | Public Utilities | Storm Water | Sanitation | Other Proprietary Funds | Total | |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 286,029 | \$ 289,078 | \$ 64,358 | \$ 41,349 | \$ 680,814 | \$ 39,176 |
| Accrued liabilities | 27,259 | 12,651 | - | - | 39,910 | 2,763 |
| Compensated absences | 41,611 | 34,806 | - | - | 76,417 | 5,974 |
| Accrued interest payable | 230,798 | 22,295 | - | - | 253,093 | - |
| Notes payable | - | 30,000 | - | 10,451 | 40,451 | - |
| Bonds payable | 828,000 | 143,000 | - | - | 971,000 | - |
| Total current liabilities | <u>1,413,697</u> | <u>531,830</u> | <u>64,358</u> | <u>51,800</u> | <u>2,061,685</u> | <u>47,913</u> |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | 10,404 | 8,702 | - | - | 19,106 | 1,494 |
| Deposits held | 85,459 | - | - | - | 85,459 | - |
| Notes payable | - | 75,000 | - | 198,573 | 273,573 | - |
| Bonds payable | 17,621,000 | 5,209,000 | - | - | 22,830,000 | - |
| Unamortized bond premium | 160,176 | - | - | - | 160,176 | - |
| Total noncurrent liabilities | <u>17,877,039</u> | <u>5,292,702</u> | <u>-</u> | <u>198,573</u> | <u>23,368,314</u> | <u>1,494</u> |
| Total liabilities | <u>19,290,736</u> | <u>5,824,532</u> | <u>64,358</u> | <u>250,373</u> | <u>25,429,999</u> | <u>49,407</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 16,884,160 | 2,130,583 | - | - | 19,014,743 | 644,487 |
| Unrestricted | 7,811,089 | 131,816 | 1,177,496 | 532,766 | 9,653,167 | 1,240,280 |
| Total net position | <u>24,695,249</u> | <u>2,262,399</u> | <u>1,177,496</u> | <u>532,766</u> | <u>28,667,910</u> | <u>1,884,767</u> |
| Total liabilities and net position | <u>\$ 43,985,985</u> | <u>\$ 8,086,931</u> | <u>\$ 1,241,854</u> | <u>\$ 783,139</u> | <u>\$ 54,097,909</u> | <u>\$ 1,934,174</u> |

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, 2014

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities Internal Service Fund |
|---|---|---------------------|---------------------|-------------------------------|----------------------|--|
| | Public Utilities | Storm Water | Sanitation | Other Proprietary Funds | Total | |
| OPERATING REVENUES | | | | | | |
| Charges for services | \$ 5,171,171 | \$ 1,030,112 | \$ 999,327 | \$ 257,313 | \$ 7,457,923 | \$ 647,900 |
| Other | 486,841 | 12,459 | - | 1,279 | 500,579 | 14,073 |
| Total operating revenues | 5,658,012 | 1,042,571 | 999,327 | 258,592 | 7,958,502 | 661,973 |
| OPERATING EXPENSES | | | | | | |
| Salaries and wages | 468,818 | 319,688 | 28,500 | - | 817,006 | 54,514 |
| Employee benefits | 383,334 | 147,031 | - | - | 530,365 | 16,236 |
| Administration | 872,248 | 403,801 | 130,816 | 56,798 | 1,463,663 | 108,235 |
| Supplies | 2,054 | 9,040 | - | - | 11,094 | 129,391 |
| Repairs and maintenance | 122,267 | 319,800 | 15,300 | - | 457,367 | 15,194 |
| Waste disposal | - | 10,938 | 776,496 | - | 787,434 | - |
| Purchase/treatment: | | | | | | |
| Water | 940,634 | - | - | - | 940,634 | - |
| Sewer | 689,584 | - | - | - | 689,584 | - |
| Street lighting | - | - | - | 103,993 | 103,993 | - |
| Telecommunications | - | - | - | 808,618 | 808,618 | - |
| Depreciation and amortization | 975,441 | 94,684 | - | - | 1,070,125 | 190,417 |
| Total operating expenses | 4,454,380 | 1,304,982 | 951,112 | 969,409 | 7,679,883 | 513,987 |
| Operating income (loss) | 1,203,632 | (262,411) | 48,215 | (710,817) | 278,619 | 147,986 |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | |
| Interest income | 26,840 | 11,391 | 185 | 1,599 | 40,015 | 6,638 |
| Interest expense | (716,446) | (61,982) | - | - | (778,428) | - |
| Gain on equity investment | - | - | 33,824 | - | 33,824 | - |
| Intergovernmental subsidy | 116,744 | - | - | - | 116,744 | - |
| Gain on disposal of equipment | - | - | - | - | - | 41,684 |
| Total nonoperating revenues (expenses) | (572,862) | (50,591) | 34,009 | 1,599 | (587,845) | 48,322 |
| Income before transfers | 630,770 | (313,002) | 82,224 | (709,218) | (309,226) | 196,308 |
| Transfers in | - | - | - | 925,000 | 925,000 | - |
| Transfers out | (47,500) | (136,200) | - | - | (183,700) | - |
| Change in net position | 583,270 | (449,202) | 82,224 | 215,782 | 432,074 | 196,308 |
| Total net position - beginning | 24,111,979 | 2,711,601 | 1,095,272 | 316,984 | 28,235,836 | 1,688,459 |
| Total net position - ending | \$ 24,695,249 | \$ 2,262,399 | \$ 1,177,496 | \$ 532,766 | \$ 28,667,910 | \$ 1,884,767 |

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, 2014

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities Internal Service Fund |
|---|---|---------------------|------------------|-------------------------------|---------------------|--|
| | Public Utilities | Storm Water | Sanitation | Other Proprietary Funds | Total | |
| Cash flows from operating activities | | | | | | |
| Receipts from customers | \$ 6,058,281 | \$ 1,022,690 | \$ 985,391 | \$ 255,984 | \$ 8,322,346 | \$ - |
| Receipts from interfund services | - | - | - | - | - | 661,973 |
| Payments to suppliers | (2,185,118) | (207,064) | (827,868) | (941,805) | (4,161,855) | (396,974) |
| Payments for interfund services | (503,616) | (259,800) | (95,796) | - | (859,212) | - |
| Payments to employees | (865,275) | (457,900) | (28,500) | - | (1,351,675) | (70,866) |
| Net cash provided (used) by operating activities | 2,504,272 | 97,926 | 33,227 | (685,821) | 1,949,604 | 194,133 |
| Cash flows from noncapital financing activities | | | | | | |
| Increase in contracts receivable | - | - | - | (15,439) | (15,439) | - |
| Increase in note receivable | - | - | - | (119,985) | (119,985) | - |
| Transfers (to) from other funds | (47,500) | (136,200) | - | 925,000 | 741,300 | - |
| Changes to interfund receivables and payables | - | - | (12,452) | - | (12,452) | - |
| Net cash provided (used) by noncapital financing activities | (47,500) | (136,200) | (12,452) | 789,576 | 593,424 | - |
| Cash flows from capital and related financing activities | | | | | | |
| Purchase of capital assets | (1,385,445) | (982,381) | - | - | (2,367,826) | (370,780) |
| Proceeds from sale of capital assets | - | - | - | - | - | 41,684 |
| Proceeds from issuance of debt | - | 2,800,000 | - | 16,101 | 2,816,101 | - |
| Principal paid on capital debt | (823,966) | - | - | - | (823,966) | - |
| Interest and fees paid on capital debt | (722,731) | (41,386) | - | - | (764,117) | - |
| Intergovernmental bond interest subsidy | 116,744 | - | - | - | 116,744 | - |
| Net cash provided (used) by capital and related financing activities | (2,815,398) | 1,776,233 | - | 16,101 | (1,023,064) | (329,096) |
| Cash flows from investing activities | | | | | | |
| Interest received | 26,840 | 11,391 | 185 | 1,599 | 40,015 | 6,638 |
| Net cash provided by investing activities | 26,840 | 11,391 | 185 | 1,599 | 40,015 | 6,638 |
| Net increase (decrease) in cash and cash equivalents | (331,786) | 1,749,350 | 20,960 | 121,455 | 1,559,979 | (128,325) |
| Cash and cash equivalents, beginning of year | 4,861,149 | 2,670,061 | - | 224,267 | 7,755,477 | 1,418,012 |
| Cash and cash equivalents, end of year | \$ 4,529,363 | \$ 4,419,411 | \$ 20,960 | \$ 345,722 | \$ 9,315,456 | \$ 1,289,687 |
| Unrestricted cash | \$ 4,238,973 | \$ 394,319 | \$ 20,960 | \$ 345,722 | \$ 4,999,974 | \$ 1,289,687 |
| Restricted cash | 281,170 | 4,025,092 | - | - | 4,306,262 | - |
| | \$ 4,520,143 | \$ 4,419,411 | \$ 20,960 | \$ 345,722 | \$ 9,306,236 | \$ 1,289,687 |

(Continued)

MIDVALE CITY CORPORATION
Statement of Cash Flows – Proprietary Funds (Continued)
For the Year Ended June 30, 2014

| | Business-type Activities - Enterprise Funds | | | | | Governmental |
|--|---|------------------|------------------|-------------------------------|---------------------|--|
| | Public Utilities | Storm Water | Sanitation | Other Proprietary Funds | Total | Activities Internal Service Fund |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | | | |
| Operating income (loss) | \$ 1,203,632 | \$ (262,411) | \$ 48,215 | \$ (710,817) | \$ 278,619 | \$ 147,986 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | 966,219 | 94,684 | - | - | 1,060,903 | 190,417 |
| Changes in assets and liabilities: | | | | | | |
| Accounts receivable | 96,329 | (19,881) | (13,936) | (208) | 62,304 | - |
| Inventory | (35,468) | - | - | - | (35,468) | - |
| Contracts receivable | 303,940 | - | - | (2,400) | 301,540 | - |
| Accounts payable | 66,065 | 276,715 | (1,052) | 27,604 | 369,332 | (144,154) |
| Accrued liabilities | (17,382) | 8,819 | - | - | (8,563) | (116) |
| Customer deposits | (88,285) | - | - | - | (88,285) | - |
| Net cash provided (used) by operating activities | \$ 2,495,050 | \$ 97,926 | \$ 33,227 | \$ (685,821) | \$ 1,940,382 | \$ 194,133 |

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

MIDVALE CITY CORPORATION
Notes to the Financial Statements
June 30, 2014

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.

The Communities Building Communities (“CBC”) is a non-profit organization established for the benefit of the local community. The CBC was formed to provide health care and drug abstinence programs for residents of the surrounding community. The City provides manpower and contributes resources in support of the CBC. The CBC is financed significantly by federal grants. The CBC, on its own, cannot qualify to be a grantee for federal grants. The City applies for and administers grants for the benefit of the CBC. The City Council does not have substantial direct control, nor can it impose its will upon the CBC. However, the CBC management, administration, fiscal and accounting affairs are intertwined with the functions of the City. Therefore, the CBC has been included as a discretely presented component unit in this report because the CBC is deemed to be financially dependent upon the City for grant revenue and its fiscal functions.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

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 as a discretely presented component unit, beginning July 1, 2013.

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.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Assets, Liabilities, and Net 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, 2014, 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, 2014 is \$8,000.

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.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

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, 2014.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

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.

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 | \$ 123,141,544 |
| Accumulated depreciation | <u>(33,044,005)</u> |
| Total difference | <u><u>\$ 90,097,539</u></u> |

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

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, 2014 were:

| | |
|--------------------------|-----------------------------|
| General obligation bonds | \$ 2,115,000 |
| Excise tax revenue bonds | 1,390,000 |
| Lease revenue bonds | 33,610,000 |
| Note payable | 90,000 |
| Bond issuance premiums | 225,716 |
| Compensated absences | <u>289,324</u> |
| Total difference | <u><u>\$ 37,720,040</u></u> |

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 | \$ 7,344,480 |
| Depreciation expense | <u>(2,237,011)</u> |
| Net difference, as reported | <u><u>\$ 5,107,469</u></u> |

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

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. If a property tax increase is anticipated, adoption of the budget is delayed until August in order to comply with the state's truth-in-taxation requirements.

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

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

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

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

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

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

Tax Revenues

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

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

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.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Credit Risk (Continued)

As of June 30, 2014, the City had the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in years)</u> | | | |
|------------------------|----------------------|---|---------------|----------------|---------------------|
| | | <u>Less than 1</u> | <u>1 to 5</u> | <u>6 to 10</u> | <u>More than 10</u> |
| PTIF | \$ 5,441,567 | \$ 5,441,567 | \$ - | \$ - | \$ - |
| Corporate Bonds | 2,317,690 | 2,317,690 | - | - | - |
| U.S. Government Bonds | 105,282 | 105,282 | - | - | - |
| Agency Bonds | 951,937 | 951,937 | - | - | - |
| Commercial Paper | 424,942 | 424,942 | - | - | - |
| MMMF | 672,059 | 672,059 | - | - | - |
| International Sweep | 341,399 | 341,399 | - | - | - |
| | <u>\$ 10,254,876</u> | <u>\$ 10,254,876</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

At June 30, 2014, the City had the following investments and quality ratings:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in years)</u> | | | |
|------------------------|----------------------|---|---------------------|-------------------|---------------------|
| | | <u>AAA</u> | <u>AA</u> | <u>A</u> | <u>Unrated</u> |
| PTIF | \$ 5,441,567 | \$ - | \$ - | \$ - | \$ 5,441,567 |
| Corporate Bonds | 2,317,690 | - | 2,317,690 | - | - |
| U.S. Government Bonds | 105,282 | - | - | - | 105,282 |
| Agency Bonds | 951,937 | - | 951,937 | - | - |
| Commercial Paper | 424,942 | - | - | 424,942 | - |
| MMMF | 672,059 | - | - | - | 672,059 |
| International Sweep | 341,399 | - | - | - | 341,399 |
| | <u>\$ 10,254,876</u> | <u>\$ -</u> | <u>\$ 3,269,627</u> | <u>\$ 424,942</u> | <u>\$ 6,560,307</u> |

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

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 | \$ 13,565,826 |
| Restricted cash | <u>8,058,298</u> |
| | <u><u>\$ 21,624,124</u></u> |

Receivables

Receivables as of June 30, 2014 for the City's individual major funds and non-major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds

| | <u>General</u> |
|------------------------------------|----------------------------|
| Receivables: | |
| Taxes | \$ 2,399,677 |
| Accounts and other | 91,282 |
| Court fines | 918,685 |
| Intergovernmental | <u>268,165</u> |
| Gross receivables | 3,677,809 |
| Less: allowance for uncollectibles | <u>-</u> |
| Net total receivables | <u><u>\$ 3,677,809</u></u> |

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Business-type Funds

| | Public Utilities | Storm Water | Sanitation | Nonmajor Funds | Total |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Receivables: | | | | | |
| Accounts | \$ 558,270 | \$ 111,029 | \$ 113,746 | \$ 23,793 | \$ 806,838 |
| Contracts | - | - | - | 14,460 | 14,460 |
| Gross receivables | 558,270 | 111,029 | 113,746 | 38,253 | 821,298 |
| Less: allowance for uncollectibles | - | (6,000) | (2,000) | - | (8,000) |
| Net total receivables | <u>\$ 558,270</u> | <u>\$ 105,029</u> | <u>\$ 111,746</u> | <u>\$ 38,253</u> | <u>\$ 813,298</u> |

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) | \$ 1,048,637 | - |
| Court fines receivable (General Fund) | 836,640 | - |
| Total deferred/unearned revenue for governmental funds | <u>\$ 1,885,277</u> | <u>\$ -</u> |

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

| | <u>07/01/13</u> | <u>Increases</u> | <u>Decreases</u> | <u>06/30/14</u> |
|---|----------------------|---------------------|---------------------|----------------------|
| <u>Governmental activities</u> | | | | |
| Capital assets, not depreciated: | | | | |
| Land | \$ 60,032,213 | \$ 175,320 | \$ - | \$ 60,207,533 |
| Construction in progress | 530,939 | 6,145,693 | (159,896) | 6,516,736 |
| Total capital assets, not depreciated | <u>60,563,152</u> | <u>6,321,013</u> | <u>(159,896)</u> | <u>66,724,269</u> |
| Capital assets, depreciated: | | | | |
| Buildings | 7,082,215 | - | (267,833) | 6,814,382 |
| Improvements other than buildings | 1,088,842 | - | (392,344) | 696,498 |
| Infrastructure | 46,649,016 | 1,085,800 | - | 47,734,816 |
| Machinery and equipment | 3,326,459 | 468,343 | (120,208) | 3,674,594 |
| Total capital assets, depreciated | <u>58,146,532</u> | <u>1,554,143</u> | <u>(780,385)</u> | <u>58,920,290</u> |
| Accumulated depreciation: | | | | |
| Buildings | (2,169,115) | (153,313) | 66,516 | (2,255,912) |
| Improvements other than buildings | (378,507) | (37,494) | 248,461 | (167,540) |
| Infrastructure | (27,818,562) | (1,973,456) | - | (29,792,018) |
| Machinery and equipment | (2,544,106) | (263,165) | 120,208 | (2,687,063) |
| Total accumulated depreciation | <u>(32,910,290)</u> | <u>(2,427,428)</u> | <u>435,185</u> | <u>(34,902,533)</u> |
| Total capital assets, depreciated (net) | <u>25,236,242</u> | <u>(873,285)</u> | <u>(345,200)</u> | <u>24,017,757</u> |
| Net governmental capital assets | <u>\$ 85,799,394</u> | <u>\$ 5,447,728</u> | <u>\$ (505,096)</u> | <u>\$ 90,742,026</u> |

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets (Continued)

| | 07/01/13 | Increases | Decreases | 06/30/14 |
|--|---------------|--------------|----------------|---------------|
| <u>Business-type activities</u> | | | | |
| Capital assets, not depreciated: | | | | |
| Water stock and rights | \$ 3,081,299 | \$ - | \$ - | \$ 3,081,299 |
| Land | 115,062 | - | - | 115,062 |
| Construction in progress | 693,860 | 2,127,824 | (1,768,909) | 1,052,775 |
| Total capital assets, not depreciated | 3,890,221 | 2,127,824 | (1,768,909) | 4,249,136 |
| Capital assets, depreciated: | | | | |
| Buildings | 2,033,627 | 240,000 | - | 2,273,627 |
| Improvements other than buildings | | | | |
| Water | 32,005,719 | 1,139,526 | - | 33,145,245 |
| Sewer | 4,255,255 | - | - | 4,255,255 |
| Infrastructure | 3,625,951 | 629,383 | - | 4,255,334 |
| Machinery and equipment | 189,457 | - | - | 189,457 |
| Total capital assets, depreciated | 42,110,009 | 2,008,909 | - | 44,118,918 |
| Accumulated depreciation: | | | | |
| Buildings | (178,060) | (50,593) | - | (228,653) |
| Improvements other than buildings | | | | |
| Water | (6,343,795) | (826,912) | - | (7,170,707) |
| Sewer | (404,641) | (86,035) | - | (490,676) |
| Infrastructure | (1,170,212) | (94,684) | - | (1,264,896) |
| Machinery and equipment | (145,394) | (11,901) | - | (157,295) |
| Total accumulated depreciation | (8,242,102) | (1,070,125) | - | (9,312,227) |
| Total capital assets, depreciated (net) | 33,867,907 | 938,784 | - | 34,806,691 |
| Net business-type capital assets | \$ 37,758,128 | \$ 3,066,608 | \$ (1,768,909) | \$ 39,055,827 |

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

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 | \$ 112,898 |
| Public safety | 78,769 |
| Highways and public improvements | 2,176,941 |
| Parks, recreation, and public property | <u>58,820</u> |
| Total depreciation expense - governmental activities | <u><u>\$ 2,427,428</u></u> |
| Business-type activities: | |
| Public Utilities | \$ 889,406 |
| Storm water | 94,684 |
| Sewer | <u>86,035</u> |
| Total depreciation expense - business-type activities | <u><u>\$ 1,070,125</u></u> |

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 in 2013 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, 2014 is \$1,930,000.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

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, 2013 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, 2014, the Sanitation fund had a 5.17% 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 8.41%, 30.17%, 13.46%, 22.27%, 10.07%, and 10.45% 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, 2014, the City contributed capital of \$0, recorded a \$33,824 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, 2014 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.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

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, 2013 the net assets deficit was \$145,903,223. The audited financial statements for UTOPIA as of June 30, 2014 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.

The City's annual commitment increases by 2% each year, and ranges from \$810,514 in Fiscal Year 2014 to \$1,329,152 in Fiscal Year 2040.

A note receivable was recorded in the telecom fund during 2012, with an offsetting allowance for doubtful accounts. The balance was \$3,450,096 as of June 30, 2014. It is currently unclear if or when UTOPIA will be in position to repay the note.

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 has issued debt of approximately \$31 million. The City pledged sales and use tax revenue toward its share of any debt service fund shortfall. The anticipated pledge amount is 6.60% of the annual debt service fund shortfall. Any bonds or debt issued or incurred by UIA will not constitute debt of the City. As of June 2013, the net assets deficit was \$625,747. The audited financial statements for 2014 have not yet been issued.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

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, Taylorsville 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.

Interfund Receivable, Payables and Transfers

At June 30, 2014, no interfund balances remained. Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2014 were as follows:

| <u>Fund Transferring Out</u> | <u>Fund Receiving Transfer</u> | <u>Amount</u> |
|----------------------------------|--------------------------------|---------------------|
| General fund | Municipal Building Authority | \$ 423,100 |
| General fund | Capital projects fund | 2,388,520 |
| General fund | Nonmajor enterprise fund | 925,000 |
| General fund | Redevelopment agency | 85,063 |
| Redevelopment Agency | Capital projects fund | 68,200 |
| Redevelopment Agency | General fund | 300,000 |
| Municipal Building Authority | Capital projects fund | 160,000 |
| Public Utilities enterprise fund | Municipal Building Authority | 47,500 |
| Storm Water enterprise fund | Municipal Building Authority | 136,200 |
| | | <u>\$ 4,533,583</u> |

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

General Obligation Bonds

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

| <u>Bond Description</u> | <u>Original Issue</u> | <u>Annual Principal</u> | <u>Interest Rate</u> | <u>Final Due Date</u> | <u>Amount at 6/30/14</u> |
|---------------------------|-----------------------|-----------------------------|----------------------|---------------------------|------------------------------|
| Public Safety Series 2005 | <u>\$ 3,370,000</u> | \$20,000 to \$395,000 | 3.00% to 5.00% | 9/15/2019 | <u>\$ 2,115,000</u> |
| | <u>\$ 3,370,000</u> | | | | <u>\$ 2,115,000</u> |

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

| | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|------|---------------------|-------------------|---------------------|
| 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 | 375,000 | 25,965 | 400,965 |
| 2020 | 395,000 | 8,295 | 403,295 |
| | <u>\$ 2,115,000</u> | <u>\$ 302,748</u> | <u>\$ 2,417,748</u> |

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

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, 2014, the City issued the Water and Sewer Revenue series 2014 bonds for \$2,800,000. The bonds proceeds will be used to expand and enhance the City's utility infrastructure.

Revenue bonds outstanding at June 30, 2014 by issue are as follows:

| <u>Bond Description</u> | <u>Original Issue</u> | <u>Annual Principal</u> | <u>Interest Rate</u> | <u>Final Due Date</u> | <u>Amount at 6/30/14</u> |
|---------------------------------------|-----------------------|-----------------------------|----------------------|---------------------------|------------------------------|
| RDA Revenue Series 2010A | \$ 3,250,000 | \$765,000 to \$870,000 | 2.75% to 5.00% | 5/1/2015 | \$ 870,000 |
| 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 3.500% | 10/1/2038 | 8,990,000 |
| Excise Tax Series 2009 | 2,335,000 | \$225,000 to \$300,000 | 4.00% to 5.00% | 4/15/2019 | 1,390,000 |
| Water and Sewer Series 2007B | 6,650,000 | \$150,000 to \$435,000 | 3.80% to 5.00% | 10/1/2032 | 5,640,000 |
| Water and Sewer Series 2007C | 5,050,000 | \$208,000 to \$303,000 | 2.00% | 10/1/2029 | 4,193,000 |
| Water and Sewer Series 2010A | 1,555,000 | \$290,000 to \$335,000 | 2.00% to 4.00% | 10/1/2015 | 655,000 |
| 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 | 1,366,000 |
| Water and Sewer Series 2013 | 2,552,000 | \$143,000 to \$200,000 | 2.420% | 10/1/2028 | 2,552,000 |
| Water and Sewer Series 2014 | <u>2,800,000</u> | \$153,000 to \$224,000 | 2.770% | 10/1/2029 | <u>2,800,000</u> |
| | <u>\$ 65,064,000</u> | | | | <u>\$ 58,801,000</u> |

Build America Bonds ("BAB") are federally taxable but the City receives a subsidy from the Internal Revenue Service equal to 27.8% of the interest paid.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Revenue Bonds (Continued)

Revenue bond debt service requirements to maturity are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|------------|----------------------|----------------------|----------------------|
| 2015 | \$ 2,326,000 | \$ 2,552,895 | \$ 4,878,895 |
| 2016 | 2,574,000 | 2,477,320 | 5,051,320 |
| 2017 | 2,850,000 | 2,384,085 | 5,234,085 |
| 2018 | 2,941,000 | 2,282,397 | 5,223,397 |
| 2019 | 3,016,000 | 2,171,992 | 5,187,992 |
| 2020 -2024 | 14,859,000 | 9,174,928 | 24,033,928 |
| 2025 -2029 | 15,683,000 | 5,930,246 | 21,613,246 |
| 2030 -2034 | 12,757,000 | 2,200,708 | 14,957,708 |
| 2035 -2039 | 1,795,000 | 160,581 | 1,955,581 |
| | <u>\$ 58,801,000</u> | <u>\$ 29,335,152</u> | <u>\$ 88,136,152</u> |

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, 2014, the note payable balance for services fees collected was \$209,024. During 2012, the City created an enterprise fund (telecom) to account for the activity of this service contract.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

| | <u>07/01/13</u> | <u>Increases</u> | <u>Decreases</u> | <u>06/30/14</u> | <u>Due in One Year</u> |
|--|----------------------|---------------------|-----------------------|----------------------|------------------------|
| <u>Governmental activities</u> | | | | | |
| Bonds payable: | | | | | |
| Excise tax revenue | \$ 1,640,000 | \$ - | \$ (250,000) | \$ 1,390,000 | \$ 250,000 |
| Lease revenue | 34,430,000 | - | (820,000) | 33,610,000 | 1,105,000 |
| General obligation | 2,415,000 | - | (300,000) | 2,115,000 | 315,000 |
| Add: unamortized premiums and discounts | <u>251,394</u> | <u>-</u> | <u>(25,678)</u> | <u>225,716</u> | <u>-</u> |
| Total bonds payable | 38,736,394 | - | (1,395,678) | 37,340,716 | 1,670,000 |
| Note payable | 105,000 | - | (15,000) | 90,000 | 15,000 |
| Compensated absences | <u>309,281</u> | <u>234,936</u> | <u>(247,425)</u> | <u>296,792</u> | <u>237,433</u> |
| Governmental activities, long-term liabilities | <u>\$ 39,150,675</u> | <u>\$ 234,936</u> | <u>\$ (1,658,103)</u> | <u>\$ 37,727,508</u> | <u>\$ 1,922,433</u> |
| <u>Business-type activities</u> | | | | | |
| Bonds payable: | | | | | |
| Water and Sewer | \$ 21,802,000 | \$ 2,800,000 | \$ (801,000) | \$ 23,801,000 | \$ 971,000 |
| Add: unamortized premium | <u>169,398</u> | <u>-</u> | <u>(9,222)</u> | <u>160,176</u> | <u>-</u> |
| Total bonds payable | 21,971,398 | 2,800,000 | (810,222) | 23,961,176 | 971,000 |
| Notes payable | 297,076 | 16,948 | - | 314,024 | 40,451 |
| Capital lease | 22,966 | - | (22,966) | - | - |
| Compensated absences | <u>105,029</u> | <u>74,515</u> | <u>(84,021)</u> | <u>95,523</u> | <u>76,417</u> |
| Business-type activities, long-term liabilities | <u>\$ 22,396,469</u> | <u>\$ 2,891,463</u> | <u>\$ (917,209)</u> | <u>\$ 24,370,723</u> | <u>\$ 1,087,868</u> |

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

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, 2014 there were no outstanding unpaid claims. Also, the City had no claim settlements during the three years ending June 30, 2014 which exceeded its insurance coverage.

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

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Other Information (Continued)

Redevelopment Agency In connection with the activities of the Redevelopment Agency (RDA), intergovernmental revenues from property tax increments of other governmental entities totaling \$2,378,356 were generated. The RDA was not required to pay any portion of this revenue to other taxing agencies.

During the year ended June 30, 2014, funds expended by the RDA were limited to the categories of redevelopment, administration costs, and debt service. Administrative costs totaled \$305,068, disbursements to developers totaled \$414,062, and debt service costs totaled \$2,246,861. The redevelopment cost was funded with unspent bond proceeds from a prior year issuance.

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

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

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

Funding Policy Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer for the employee) to the respective systems to which they belong. The City is required to contribute a percent of members' annual covered salary to the respective systems; 17.29% to the Local Government Noncontributory Division Tier 1 and 13.99% to the related Local Government Contributory Division Tier 2. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

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, 2014, 2013 and 2012, were equal to the required contributions for each year. The contribution amounts are as follows:

| | 2014 | 2013 | 2012 |
|--|------------|------------|------------|
| Local Governmental Noncontributory Retirement System | \$ 567,660 | \$ 524,914 | \$ 444,233 |
| Public Safety Retirement System for Employers with Social Security Coverage ** | - | - | 17,568 |
| Firefighters Retirement System ** | - | - | 11,038 |

** 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 \$82,962, \$84,333, and \$63,918 for the years ended June 30, 2014, 2013 and 2012, respectively.

401 Retirement Plan

The City also contributes to the International City Management Association (ICMA) Section 401 Qualified Retirement Plan, for employees deferring at least one percent of their salary through the Section 457 deferred compensation plan. The City matches the first one percent of the amount deferred.. The City's contributions to the ICMA 401 plan were \$68,702, \$68,335, and \$118,162 for the years ended June 30, 2014, 2013 and 2012, respectively.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2014

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 \$27,787, \$19,382, and \$92,648 for the years ended June 30, 2014, 2013 and 2012, 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.

SUPPLEMENTAL INFORMATION

MIDVALE CITY CORPORATION
Combining Statement of Net Position – Nonmajor Proprietary Funds
June 30, 2014

| | <u>Street Lighting</u> | <u>Telecom</u> | <u>Total</u> |
|---|------------------------|-------------------|-------------------|
| <u>ASSETS</u> | | | |
| Current assets: | | | |
| Cash and cash equivalents | | | |
| Unrestricted | \$ 286,712 | \$ 59,010 | \$ 345,722 |
| Receivables: | | | |
| Accounts | 22,478 | 1,315 | 23,793 |
| Contracts receivable | - | 14,460 | 14,460 |
| Total current assets | <u>309,190</u> | <u>74,785</u> | <u>383,975</u> |
| Noncurrent assets: | | | |
| Contracts receivable | - | 205,564 | 205,564 |
| Notes receivable, net | - | 193,600 | 193,600 |
| Total noncurrent assets | <u>-</u> | <u>399,164</u> | <u>399,164</u> |
| Total assets | <u>\$ 309,190</u> | <u>\$ 473,949</u> | <u>\$ 783,139</u> |
| <u>LIABILITIES</u> | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 41,349 | \$ - | \$ 41,349 |
| Note payable | - | 10,451 | 10,451 |
| Total current liabilities | <u>41,349</u> | <u>10,451</u> | <u>51,800</u> |
| Noncurrent liabilities: | | | |
| Note payable | - | 198,573 | 198,573 |
| Total noncurrent liabilities | <u>-</u> | <u>198,573</u> | <u>198,573</u> |
| Total liabilities | <u>41,349</u> | <u>209,024</u> | <u>250,373</u> |
| <u>NET POSITION</u> | | | |
| Unrestricted | <u>267,841</u> | <u>264,925</u> | <u>532,766</u> |
| Total net position | <u>267,841</u> | <u>264,925</u> | <u>532,766</u> |
| Total liabilities and net position | <u>\$ 309,190</u> | <u>\$ 473,949</u> | <u>\$ 783,139</u> |

MIDVALE CITY CORPORATION
Combining Statement of Revenues, Expenses, and Changes in Net Position –
Nonmajor Proprietary Funds
For the Year Ended June 30, 2014

| | <u>Street Lighting</u> | <u>Telecom</u> | <u>Total</u> |
|---|------------------------|-------------------|-------------------|
| <u>OPERATING REVENUES</u> | | | |
| Charges for services | \$ 241,497 | \$ 15,816 | \$ 257,313 |
| Street lighting charges | - | - | - |
| Other | 1,279 | - | 1,279 |
| Total operating revenues | 242,776 | 15,816 | 258,592 |
| <u>OPERATING EXPENSES</u> | | | |
| Administration | 56,798 | - | 56,798 |
| Street lighting | 103,993 | - | 103,993 |
| Telecommunications | - | 808,618 | 808,618 |
| Total operating expenses | 160,791 | 808,618 | 969,409 |
| Operating income (loss) | 81,985 | (792,802) | (710,817) |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | | | |
| Interest income | 1,156 | 443 | 1,599 |
| Total nonoperating revenues (expenses) | 1,156 | 443 | 1,599 |
| Income before transfers | 83,141 | (792,359) | (709,218) |
| Transfers in | - | 925,000 | 925,000 |
| Change in net position | 83,141 | 132,641 | 215,782 |
| Total net position - beginning | 184,700 | 132,284 | 316,984 |
| Total net position - ending | \$ 267,841 | \$ 264,925 | \$ 532,766 |

MIDVALE CITY CORPORATION
Combining Statement of Cash Flows – Nonmajor Proprietary Funds
For the Year Ended June 30, 2014

| | <u>Street Lighting</u> | <u>Telecom</u> | <u>Total</u> |
|--|------------------------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | \$ 243,529 | \$ 12,455 | \$ 255,984 |
| Payments to suppliers | (134,034) | (807,771) | (941,805) |
| Net cash provided (used) by operating activities | <u>109,495</u> | <u>(795,316)</u> | <u>(685,821)</u> |
| Cash flows from noncapital financing activities | | | |
| Transfers from/(to) other funds | - | 925,000 | 925,000 |
| Net cash provided by noncapital financing activities | <u>-</u> | <u>925,000</u> | <u>925,000</u> |
| Cash flows from capital and related financing activities | | | |
| Increase in contracts receivable | - | (15,439) | (15,439) |
| Increase in note receivable | - | (119,985) | (119,985) |
| Increase in note payable | - | 16,101 | 16,101 |
| Net cash used by capital and related financing activities | <u>-</u> | <u>(119,323)</u> | <u>(119,323)</u> |
| Cash flows from investing activities | | | |
| Interest received | 1,156 | 443 | 1,599 |
| Net cash provided by investing activities | <u>1,156</u> | <u>443</u> | <u>1,599</u> |
| Net increase in cash and cash equivalents | 110,651 | 10,804 | 121,455 |
| Cash and cash equivalents, beginning of year | 176,061 | 48,206 | 224,267 |
| Cash and cash equivalents, end of year | <u>\$ 286,712</u> | <u>\$ 59,010</u> | <u>\$ 345,722</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | |
| Operating income (loss) | \$ 81,985 | \$ (792,802) | \$ (710,817) |
| Changes in assets and liabilities: | | | |
| Accounts receivable | 753 | (961) | (208) |
| Contracts receivable | - | (2,400) | (2,400) |
| Accounts payable | 26,757 | 847 | 27,604 |
| Net cash provided (used) by operating activities | <u>\$ 109,495</u> | <u>\$ (795,316)</u> | <u>\$ (685,821)</u> |

MIDVALE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Capital Projects Fund (Major Fund)
For the Year Ended June 30, 2014

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES</u> | | | | |
| Interest income | \$ 1,000 | \$ 1,000 | \$ 10,235 | \$ 9,235 |
| Total revenues | <u>1,000</u> | <u>1,000</u> | <u>10,235</u> | <u>9,235</u> |
| <u>EXPENDITURES</u> | | | | |
| Capital outlay | 2,914,600 | 4,955,800 | 1,477,426 | 3,478,374 |
| Total expenditures | <u>2,914,600</u> | <u>4,955,800</u> | <u>1,477,426</u> | <u>3,478,374</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,913,600)</u> | <u>(4,954,800)</u> | <u>(1,467,191)</u> | <u>3,487,609</u> |
| <u>OTHER FINANCING SOURCES</u> | | | | |
| Transfers in | 2,913,600 | 4,824,800 | 2,616,720 | (2,208,080) |
| Total other financing sources | <u>2,913,600</u> | <u>4,824,800</u> | <u>2,616,720</u> | <u>(2,208,080)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (130,000)</u> | <u>1,149,529</u> | <u>\$ 1,279,529</u> |
| Fund balance at beginning of year | | | <u>1,677,626</u> | |
| Fund balance at end of year | | | <u>\$ 2,827,155</u> | |

COMPLIANCE SECTION

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 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Midvale City Corporation ("the City") as of and for the year ended June 30, 2014, 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 22, 2014.

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. However, material weaknesses may exist that have not been identified.

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 22, 2014

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

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REPORT IN ACCORDANCE WITH THE UTAH STATE COMPLIANCE AUDIT GUIDE ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS, COMPLIANCE FOR EACH MAJOR STATE PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF STATE AWARDS

Independent Auditors' Report

Honorable Mayor and Members of the City Council
Midvale City Corporation

Report On Compliance with General State Compliance Requirements and for Each Major State Program

We have audited Midvale City Corporation's ("the City") compliance with the applicable general state and major state program compliance requirements described in the Utah State Compliance Audit Guide, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

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

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

B & C Road Funds (Department of Transportation)
State Appropriation for Roads (Department of Transportation)

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Utah State Compliance Audit Guide*. Those standards and the *Utah State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City or its major state 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 on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, Midvale City Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2014.

Report On Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *Utah State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses* or *significant deficiencies*. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of State Awards as Required by the Utah State Compliance Audit Guide

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 22, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *Utah State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 schedule of expenditures of state awards is fairly stated in all material respects, in relation to the financial statements as a whole.

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

December 22, 2014

MIDVALE CITY CORPORATION
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2014

| <u>State Grantor/Program Title</u> | <u>State Award/Contract #</u> | <u>Year of Last Audit</u> | <u>Amount Expended</u> |
|--|-----------------------------------|-------------------------------|----------------------------|
| <u>Utah Department of Transportation</u> | | | |
| B&C Road Funds | | 2014 | \$ 793,079 |
| State Appropriation for Roads | | 2014 | <u>507,619</u> |
| Total Utah Department of Transportation | | | <u>1,300,698</u> |
| <u>Utah State Liquor Funds</u> | | | |
| Utah State Liquor Funds | | | <u>51,893</u> |
| Total State Liquor Funds | | | <u>51,893</u> |
| | | | <u><u>\$1,352,591</u></u> |