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A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

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October 27, 2008

To the Honorable Mayor and City Council
Midvale City Corporation

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation for the year ended June 30, 2008, and have issued our report thereon dated October 27, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 29, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Midvale City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Midvale City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Midvale City Corporation's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Midvale City Corporation's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Midvale City Corporation's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during July 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Midvale City Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no significant estimates affecting the financial statements considered to be highly sensitive.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2008.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the mayor, city council, and management of Midvale City Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

**MIDVALE CITY CORPORATION
MIDVALE, UTAH**

**Basic Financial Statements and
Supplementary Information**

Year Ended June 30, 2008

MIDVALE CITY CORPORATION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation, Utah (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation, Utah, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information are presented for purposes of additional analysis are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Midvale City Corporation. The combining and individual nonmajor fund financial statements, the budgetary comparison information and Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

October 27, 2008

MIDVALE CITY CORPORATION
Management's Discussion and Analysis
June 30, 2008

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, 2008. 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 assets exceeded its liabilities at the end of the current fiscal year by \$90,532,510. Of this amount, \$5,850,954 is unrestricted and available to meet ongoing obligations to citizens and creditors.
- Net assets decreased by \$1,915,915 for governmental activities. This is due to a budgeted reduction in fund balance in both the General Fund and the Capital Projects fund. Net assets increased by \$470,408 for business-type activities, due to the five percent increase in water and sewer rates in FY 2008 in anticipation of upcoming capital improvements. The increases in water and sewer rates for Fiscal Year 2009 are again five percent. Funds will be used to improve and maintain the water and sewer infrastructure.
- Total long-term debt owed by the City is \$12,945,428. This is well below the City's legal debt capacity of approximately \$225 million. This debt limit is imposed by the State and is equal to twelve percent of taxable property in the City. During the fiscal year, the Utility Fund issued \$6,650,000 in new debt for construction of wells, well houses, a 4-million gallon reservoir, water transmission pipelines, and an automated meter reading system. The City paid off two capital lease agreements.
- The Fiscal Year 2008 General Fund Budget appropriated \$1,534,335 from prior year fund balance to meet budgeted expenditures. For Fiscal Year 2009, the City Council has appropriated \$228,800 from fund balance.
- The City's General Fund unreserved fund balance on June 30, 2008 was \$2,274,809. This is equal to thirteen percent of General Fund budgeted revenues for Fiscal Year 2009. Utah state law prohibits fund balances in excess of eighteen percent or less than five percent of budgeted revenue. Midvale City Council prefers maintaining a fund balance of twelve percent.

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.

MIDVALE CITY CORPORATION
Management's Discussion and Analysis (Continued)
June 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial statements

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

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

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

Both of these government-wide financial statements distinguish between activities that are largely supported by taxes and intergovernmental revenues (governmental activities) and those whose operations are entirely or largely financed by user charges and fees (business type activities). The governmental activities for Midvale City include general governmental (council, mayor, administration, court); community and economic development; public safety (police and fire); highways and public improvements; and parks, recreation, and public property. The business type activities include water, sewer, storm water utility, solid waste, and ambulance.

The Redevelopment Agency of Midvale City and the Municipal Building Authority are legally separate from the City, but for all practical purposes function as a part of the City and are therefore blended as an integral part of the primary government.

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

Fund Financial Statements

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

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

MIDVALE CITY CORPORATION
Management's Discussion and Analysis (Continued)
June 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

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 six different individual governmental funds. Of this number, information is shown separately for the General and Capital Projects Funds, both of which are deemed major funds. Information from the other four funds is presented in a single combined column. Individual presentations for these non-major funds are contained in combining information shown after the notes to the financial statements as listed in the table of contents. 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 may be used to report any activity for which a fee is charged to external users for goods or services. Internal Service Funds may be used to report activities that provide goods or services to other funds or departments of the City.

The Enterprise Funds maintained by Midvale City include water/sewer, storm water utility, solid waste, and ambulance 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 the Water/Sewer, Storm Water Utility, and Sanitation funds, which are considered to be major funds of Midvale City, and the Ambulance fund. The Internal Service Fund is shown in one single column 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 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.

MIDVALE CITY CORPORATION
Management's Discussion and Analysis (Continued)
June 30, 2008

OTHER INFORMATION

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Current and other assets	\$ 9,950,880	\$ 12,112,383	\$ 12,895,680	\$ 7,415,448
Capital assets	<u>79,317,240</u>	<u>78,970,930</u>	<u>6,901,636</u>	<u>4,795,506</u>
Total Assets	<u>89,268,120</u>	<u>91,083,313</u>	<u>19,797,316</u>	<u>12,210,954</u>
Current and other liabilities	5,418,016	5,041,151	1,006,529	457,512
Long term liabilities	<u>3,679,351</u>	<u>3,955,494</u>	<u>8,429,030</u>	<u>1,862,093</u>
Total Liabilities	<u>9,097,367</u>	<u>8,996,645</u>	<u>9,435,559</u>	<u>2,319,605</u>
Net assets:				
Invested in capital assets, net of related debt	75,080,206	74,774,124	6,370,891	3,376,274
Restricted	19,106	46,825	3,211,353	3,308,639
Unrestricted	<u>5,071,441</u>	<u>7,265,719</u>	<u>779,513</u>	<u>3,206,436</u>
Total Net Assets	<u>80,170,753</u>	<u>82,086,668</u>	<u>10,361,757</u>	<u>9,891,349</u>
Total Liabilities and Net Assets	<u>\$ 89,268,120</u>	<u>\$ 91,083,313</u>	<u>\$ 19,797,316</u>	<u>\$ 12,210,954</u>

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

MIDVALE CITY CORPORATION
Management's Discussion and Analysis (Continued)
June 30, 2008

OTHER INFORMATION (CONTINUED)

Governmental activities exhibit a slight decrease in net assets due to appropriated reductions in fund balances. The increase in Business-type activities is insignificant.

ACTIVITIES, GOVERNMENTAL AND BUSINESS-TYPE

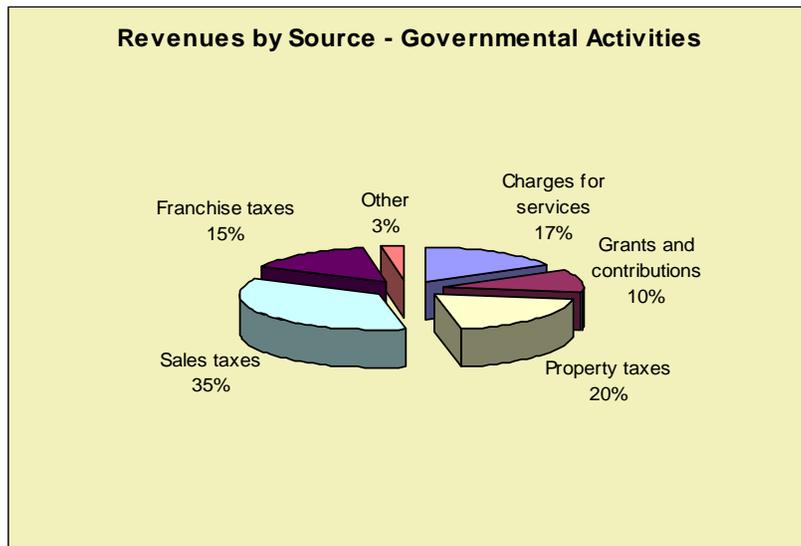
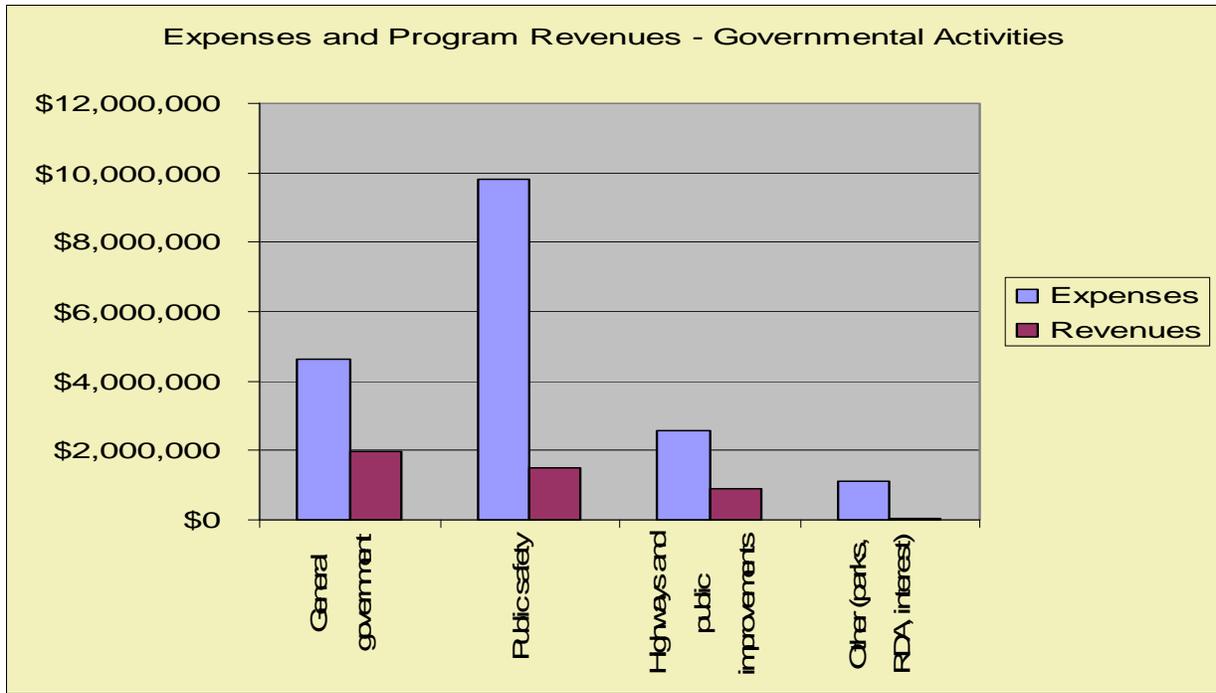
Midvale City Corporation Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:				
Program revenues:				
Charges for services	\$ 2,720,149	\$ 2,767,530	\$ 3,950,589	\$ 3,707,693
Operating grants and contributions	813,428	1,020,207	-	-
Capital grants and contributions	890,678	862,279	-	-
General revenues:				
Property taxes	3,213,580	3,274,567	-	-
Other taxes	8,186,469	8,283,765	-	-
Unrestricted investment earnings	227,355	340,191	289,932	99,365
Other	106,308	43,524	-	-
Gain on sale of assets	132,220	65,157	-	-
Total revenues	<u>16,290,187</u>	<u>16,657,220</u>	<u>4,240,521</u>	<u>3,807,058</u>
Expenses:				
General government	4,645,154	4,491,932	-	-
Public safety	9,831,010	9,009,654	-	-
Highways and public improvements	2,573,930	2,471,946	-	-
Parks and recreation	856,523	708,693	-	-
Intergovernmental	108,435	111,249	-	-
Interest on long-term debt	169,950	181,326	-	-
Water and sewer	-	-	1,708,621	1,254,625
Storm Water	-	-	517,577	448,026
Sanitation	-	-	760,800	753,025
Ambulance	-	-	563,790	525,301
Loss on equity investment	-	-	240,425	118,754
Total expenses	<u>18,185,002</u>	<u>16,974,800</u>	<u>3,791,213</u>	<u>3,099,731</u>
Increase (decrease) in net assets before transfers	(1,894,815)	(317,580)	449,308	707,327
Transfers	<u>(21,100)</u>	<u>(54,700)</u>	<u>21,100</u>	<u>54,700</u>
Increase (decrease) in net assets	(1,915,915)	(372,280)	470,408	762,027
Net assets - beginning	<u>82,086,668</u>	<u>82,458,948</u>	<u>9,891,349</u>	<u>9,129,322</u>
Net assets - ending	<u>\$ 80,170,753</u>	<u>\$ 82,086,668</u>	<u>\$ 10,361,757</u>	<u>\$ 9,891,349</u>

MIDVALE CITY CORPORATION
Management's Discussion and Analysis (Continued)
June 30, 2008

ACTIVITIES, GOVERNMENTAL AND BUSINESS-TYPE (CONTINUED)

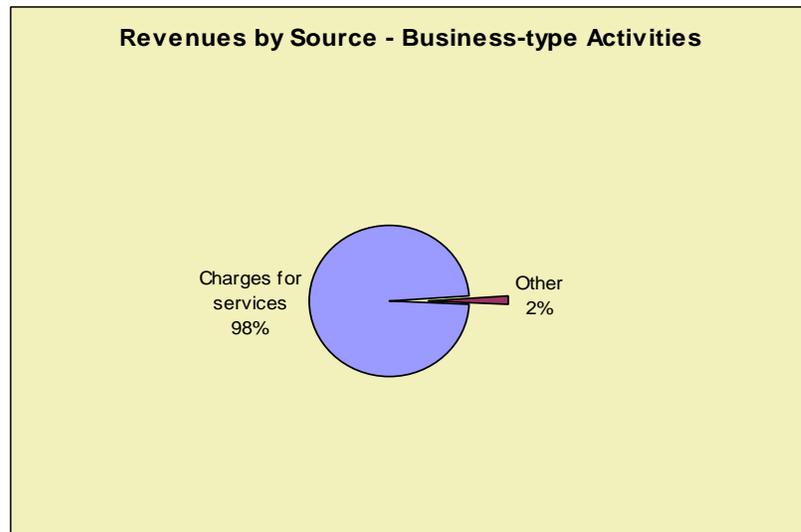
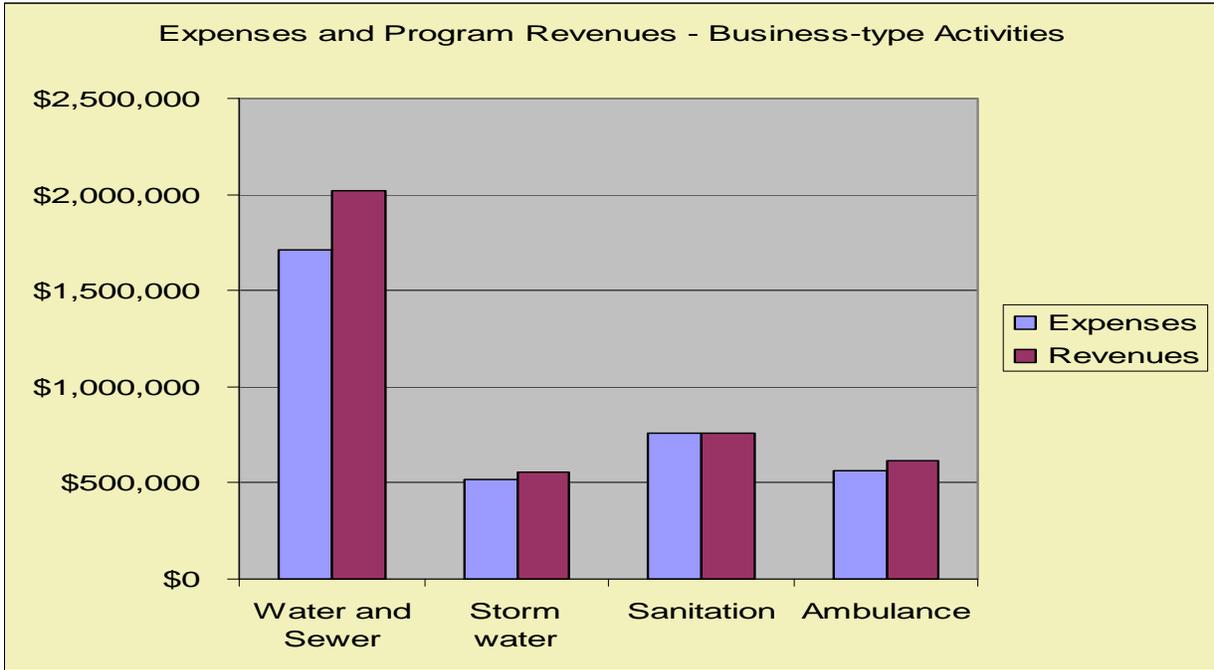
Governmental Activities. The following graphs display the government-side activities for governmental activities reflected in the above tables. The program revenues on the graph below represent direct charges for services and grants, and do not include general revenue such as property tax, sales tax, etc., as listed on the preceding page.



MIDVALE CITY CORPORATION
Management's Discussion and Analysis (Continued)
June 30, 2008

ACTIVITIES, GOVERNMENTAL AND BUSINESS-TYPE (CONTINUED)

Business-type Activities. The following graphs display the business-side activities for business-type activities reflected in the above tables.



MIDVALE CITY CORPORATION
Management's Discussion and Analysis (Continued)
June 30, 2008

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, 2008.

For the period ending June 30, 2008, the City's governmental funds reported a combined fund balance amount of \$3,894,107, a decrease of \$1,771,876 from June 30, 2007. This decrease represents a budgeted reduction in fund balances. Of the total fund balance at year-end, \$3,116,534 is unreserved. Reserved fund balance consists of \$150,130 for land held for resale, \$608,337 pledged to UTOPIA, and \$19,106 for cemetery perpetual care.

The General Fund is the main operating fund for Midvale City Corporation. At June 30, 2008, fund balance was \$2,274,809, all unreserved. A useful measure of liquidity is to compare the unreserved fund balance and the total fund balance to expenditures (including operating transfers out) for the year. Unreserved fund balance was thirteen percent of total expenditures and transfers.

The fund balance of the General Fund decreased by \$859,572 from the reported fund balance at June 30, 2007. The decrease is due to a budgeted reduction in fund balance, and in lower than anticipated expenses throughout the departments. There was no property tax increase for Fiscal Year 2008.

The Capital Projects Fund has a total fund balance of \$1,606,149 at June 30, 2008. The total fund balance has been appropriated to various capital projects. This fund balance decreased by \$785,457 as projects reach completion.

The Redevelopment Agency of Midvale City has a decrease in fund balance of \$94,128 as a full-time director was hired in fiscal year 2005 to administer development on the new project area (the super-fund sites). The preceding project area expired in 2003, so there was no tax increment revenue available in Fiscal Year 2008. The fund balance at the end of the year is a deficit of \$(5,957).

The City expects the new project area will produce tax increment revenue as early as Fiscal Year 2010. As development occurs on the former superfund sites, tax increment revenue will offset the cost of operating the RDA, as well as pay for needful infrastructure on the site.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the City's proprietary funds totaled \$813,578 for Storm Water, \$258,343 for Sanitation, and \$212,694 for Ambulance. A deficit of \$(505,102) in unrestricted net assets for the Public Utility Fund is the combination of \$1,101,538 net liquid assets and \$(1,606,640) restricted cash less non-current liabilities.

MIDVALE CITY CORPORATION
Management's Discussion and Analysis (Continued)
June 30, 2008

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original and final amended budgets reflect the following:

- A decrease in estimated revenues of \$379,570. Federal and state grants increased by \$397,700, while estimated taxes decreased by \$400,000 due to a downturn in sales tax revenues. The estimate for fines and forfeitures decreased by \$529,200 due to personnel changes in the Justice Court; revenues are projected to increase in FY 2009.
- Budgeted expenditures increased by \$547,265. The largest increase was in Public Safety, where expenditures from grants increased by \$166,000. Community and economic development programs increased by \$195,700. The offset to expenditures due to decreased estimated revenues was in the budgeted decrease in fund balance, which grew from \$507,500 to \$1,534,335
- General Fund revenues, not including transfers from fund balance, were \$347,400 below budget. General Fund expenditures were \$696,600 below budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Midvale City's investment in capital assets is \$86,218,876 as of June 30, 2008. 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 City's investment in capital assets equals ninety-five percent of total net assets.

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

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Land and water rights	\$ 51,956,221	\$ 51,553,728	\$ 164,243	\$ 164,243
Infrastructure	15,492,441	16,410,908	964,435	1,012,304
Buildings	7,426,244	7,526,998	117,215	121,393
Improvements other than buildings	300,868	301,566	4,441,031	2,984,786
Machinery and equipment	4,141,466	3,177,730	36,099	44,595
Construction in progress	-	-	1,178,613	468,185
Total	\$ 79,317,240	\$ 78,970,930	\$ 6,901,636	\$ 4,795,506

MIDVALE CITY CORPORATION
Management's Discussion and Analysis (Continued)
June 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Midvale City's debt consists of:

- General Obligation Bonds (\$3,760,000 balance at June 30, 2008) which are scheduled to be paid off by September 15, 2019
- Water and Sewer Revenue Bonds (\$8,269,000 balance at June 30, 2008), scheduled to be paid off by October 2032
- MBA lease revenue bonds (\$39,797 balance at June 30, 2008) which is scheduled to be paid off by May 15, 2009
- A lease/purchase agreement for fluoridation equipment (\$230,012 balance at June 30, 2008), scheduled to be paid off by August 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City Council voted to increase property taxes by 12.48 percent for Fiscal Year 2009. This equates to an additional \$363,000 in revenues for the upcoming year. The increase was necessary to offset the anticipated decrease in sales tax revenue, and to fund employee compensation and benefits and other increases in program spending requirements due to growth.

Sales tax began to decrease in January of 2008 and continue to show a downturn from FY 2007. Budgeted sales tax revenue for fiscal year 2009 is \$5,918,900, equal to the amount collected in fiscal year 2008.

Midvale City continues to aggressively pursue federal and state grants. In fiscal year 2008, revenue from grants in the governmental funds was \$1,695,960, about eleven percent of total revenues.

The City signed agreements with the Environmental Protection Agency in fiscal year 2005 allowing development to proceed on two super-fund sites (Jordan Bluffs south of 7800 South, and Bingham Junction north of 7800 South) on the west side of the City. The land on both sites (616 acres) is currently being prepared for use. While it may still be several years before sales tax revenue is generated, we anticipate mixed use development on both sites, with full build-out occurring by 2020, adding 5,000 – 7,000 to the City's population, and 200-500 businesses to our community.

The culinary water and sewer rate analysis completed in fiscal year 2005 recommended increasing rates for water and sewer by five percent each year, following an initial increase of six percent for water and eleven percent for sewer. The City Council approved the five percent increases for fiscal years 2008 and 2009. Midvale City's utility rates continue to be lower than average for the Wasatch Front.

REQUESTS FOR INFORMATION

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

MIDVALE CITY CORPORATION
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,879,172	\$ 2,185,502	\$ 6,064,674
Receivables (net of allowance for uncollectibles):			-
Accounts and taxes	4,683,828	716,592	5,400,420
Due from other governments	424,140	-	424,140
Loans	15,713	-	15,713
Prepays and deposits	62,591	1,650	64,241
Restricted cash	608,337	6,592,624	7,200,961
Equity investment in joint ventures	-	3,211,353	3,211,353
Land held for resale	150,130	-	150,130
Capital assets not being depreciated:			
Water stock	-	159,515	159,515
Land	51,956,221	4,728	51,960,949
Construction in progress	-	1,178,613	1,178,613
Capital assets, net of accumulated depreciation:			
Buildings	7,426,244	117,215	7,543,459
Improvements other than buildings	300,868	4,441,031	4,741,899
Equipment	4,141,466	36,099	4,177,565
Infrastructure	15,492,441	964,435	16,456,876
Deferred charges	126,969	187,959	314,928
Total assets	89,268,120	19,797,316	109,065,436
<u>LIABILITIES</u>			
Accounts payable	339,076	631,832	970,908
Accrued liabilities	1,090,291	87,258	1,177,549
Accrued interest payable	47,500	92,157	139,657
Unearned revenue:			
Property taxes	3,271,988	-	3,271,988
Other	20,516	-	20,516
Customer deposits	-	6,880	6,880
Noncurrent liabilities:			
Due within one year	648,645	188,402	837,047
Due in more than one year	3,679,351	8,429,030	12,108,381
Total liabilities	9,097,367	9,435,559	18,532,926
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	75,080,206	6,370,891	81,451,097
Restricted for:			
Cemetery perpetual care - expendable	19,106	-	19,106
Equity investment in joint ventures	-	3,211,353	3,211,353
Unrestricted	5,071,441	779,513	5,850,954
Total net assets	\$ 80,170,753	\$ 10,361,757	\$ 90,532,510

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

MIDVALE CITY CORPORATION
Statement of Activities
For the Year Ended June 30, 2008

Function/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
General government	\$ 4,645,154	\$ 1,429,600	\$ 549,931	\$ -	\$ (2,665,623)		\$ (2,665,623)
Public safety	9,831,010	1,226,605	263,497	-	(8,340,908)		(8,340,908)
Highways and public improvements	2,573,930	18,394	-	890,678	(1,664,858)		(1,664,858)
Parks, recreation and public property	856,523	45,550	-	-	(810,973)		(810,973)
Redevelopment	108,435	-	-	-	(108,435)		(108,435)
Interest on long-term debt	169,950	-	-	-	(169,950)		(169,950)
Total governmental activities	18,185,002	2,720,149	813,428	890,678	(13,760,747)		(13,760,747)
Business-type activities							
Utility	1,708,621	2,016,108	-	-		\$ 307,487	307,487
Storm water	517,577	558,563	-	-		40,986	40,986
Sanitation	760,800	768,520	-	-		7,720	7,720
Ambulance	563,790	614,897	-	-		51,107	51,107
Total business-type activities	3,550,788	3,958,088	-	-		407,300	407,300
General Revenues:							
Taxes							
Property taxes					3,213,580	-	3,213,580
Sales taxes					5,796,171	-	5,796,171
Franchise taxes					2,390,298	-	2,390,298
Interest income					227,355	282,433	509,788
Equity investment income (loss)					-	(240,425)	(240,425)
Gain on sale and disposal of assets					132,220	-	132,220
Miscellaneous					106,308	-	106,308
Transfers - net					(21,100)	21,100	-
Total general revenue and transfers					11,844,832	63,108	11,907,940
Change in net assets					(1,915,915)	470,408	(1,445,507)
Net assets - beginning					82,086,668	9,891,349	91,978,017
Net assets - ending					\$ 80,170,753	\$ 10,361,757	\$ 90,532,510

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

MIDVALE CITY CORPORATION
Balance Sheet – Governmental Funds
June 30, 2008

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,160,139	\$ 1,302,269	\$ 169,617	\$ 2,632,025
Due from other funds	275,000	-	-	275,000
Receivables:				
Accounts receivable	19,016	-	-	19,016
Taxes	4,664,812	-	-	4,664,812
Intergovernmental	424,140	-	-	424,140
Loans	-	-	15,713	15,713
Prepays	27,336	-	-	27,336
Deposits	34,784	-	-	34,784
Restricted cash	-	608,337	-	608,337
Land held for resale	-	-	150,130	150,130
Total assets	\$ 6,605,227	\$ 1,910,606	\$ 335,460	\$ 8,851,293
<u>LIABILITIES</u>				
Accounts payable	\$ 265,521	\$ -	\$ 29,306	\$ 294,827
Accrued liabilities	772,393	304,457	2,528	1,079,378
Due to other funds	-	-	275,000	275,000
Unearned revenue:				
Property taxes	3,271,988	-	-	3,271,988
Loans receivable	-	-	15,477	15,477
Other	20,516	-	-	20,516
Total liabilities	4,330,418	304,457	322,311	4,957,186
<u>FUND BALANCE</u>				
Reserved for:				
Land held for resale	-	-	150,130	150,130
UTOPIA	-	608,337	-	608,337
Cemetery perpetual care	-	-	19,106	19,106
Unreserved, reported in:				
General fund	2,274,809	-	-	2,274,809
Special revenue funds	-	-	(156,087)	(156,087)
Capital projects funds	-	997,812	-	997,812
Total fund balances	2,274,809	1,606,149	13,149	3,894,107
Total liabilities and fund balances	\$ 6,605,227	\$ 1,910,606	\$ 335,460	\$ 8,851,293

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

MIDVALE CITY CORPORATION
Reconciliation of the Balance Sheet of Governmental Funds To The Statement of Net Assets
June 30, 2008

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

Total Fund Balances - Total Governmental Funds (page 15)	\$	3,894,107
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$105,662,972 less the accumulated depreciation of \$26,345,732.		79,317,240
Other long-term assets are not available for current period expenditures and are therefore deferred in the funds balance sheet.		126,969
Interest on general obligation and lease revenue bonds is not accrued in governmental funds but rather is recognized as an expenditure when due.		(47,500)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(4,326,516)
Internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.		1,190,976
The Redevelopment Agency has deferred revenue for the loan receivables on the governmental funds balance sheet.		15,477
		15,477
Net Assets - Governmental Activities (page 13)	\$	80,170,753

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

MIDVALE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
For the Year Ended June 30, 2008

	<u>Governmental Fund Types</u>			Total
	General	Capital Projects	Other Governmental Funds	
<u>REVENUES</u>				
Taxes	\$ 11,400,049	\$ -	\$ -	\$ 11,400,049
Licenses and permits	580,397	-	-	580,397
Intergovernmental	1,695,960	-	-	1,695,960
Charges for service	1,166,567	8,146	-	1,174,713
Fines and forfeitures	973,185	-	-	973,185
Lease revenue	-	-	42,285	42,285
Interest income	86,899	49,157	6,354	142,410
Miscellaneous	107,225	-	10,207	117,432
Total revenues	16,010,282	57,303	58,846	16,126,431
<u>EXPENDITURES</u>				
General government	4,040,008	-	-	4,040,008
Public safety	9,570,271	-	-	9,570,271
Highways and public improvements	1,069,790	-	-	1,069,790
Parks, recreation, and public property	752,656	-	-	752,656
Redevelopment	-	-	108,435	108,435
Capital outlay	-	1,860,979	-	1,860,979
Debt service:				
Principal	235,000	-	37,456	272,456
Interest	167,810	-	4,829	172,639
Cemetery	-	-	29,973	29,973
Total expenditures	15,835,535	1,860,979	180,693	17,877,207
Excess (deficiency) of revenues over (under) expenditures	174,747	(1,803,676)	(121,847)	(1,750,776)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	5,000	1,044,619	-	1,049,619
Transfers out	(1,039,319)	(26,400)	(5,000)	(1,070,719)
Total other financing sources (uses)	(1,034,319)	1,018,219	(5,000)	(21,100)
Net change in fund balance	(859,572)	(785,457)	(126,847)	(1,771,876)
Fund balance at beginning of year	3,134,381	2,391,606	139,996	5,665,983
Fund balance at end of year	\$ 2,274,809	\$ 1,606,149	\$ 13,149	\$ 3,894,107

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

MIDVALE CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 17)	\$ (1,771,876)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays and capital contributions in the current period.	(607,414)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	10,207
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	223,512
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The net revenue of certain activities of the Internal Service Fund is reported with governmental activities	247,484
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(17,828)
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Change in net assets of governmental activities (page 14)	<u>\$ (1,915,915)</u>
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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, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 12,014,800	\$ 11,614,800	\$ 11,400,049	\$ (214,751)
Licenses and permits	516,000	516,000	580,397	64,397
Intergovernmental	1,619,100	2,016,766	1,695,960	(320,806)
Charges for services	1,041,200	1,054,200	1,166,567	112,367
Fines and forfeitures	1,437,200	908,000	973,185	65,185
Interest income	100,000	100,000	86,899	(13,101)
Miscellaneous	9,000	147,964	107,225	(40,739)
Total revenues	<u>16,737,300</u>	<u>16,357,730</u>	<u>16,010,282</u>	<u>(347,448)</u>
EXPENDITURES				
General government:				
City council	128,400	128,400	124,620	3,780
Court	656,200	648,200	598,507	49,693
General administration	465,500	442,300	400,887	41,413
Information technology	241,800	241,800	224,866	16,934
Finance	272,200	272,200	262,172	10,028
Recorder	276,500	276,500	254,193	22,307
City attorney	121,900	161,900	159,255	2,645
Non-departmental	251,600	251,600	251,255	345
Community and intergovernmental services	129,800	230,670	216,900	13,770
Employee services	244,900	244,900	215,250	29,650
Senior citizens	23,000	23,000	21,646	1,354
Community and economic development	1,267,400	1,463,065	1,310,457	152,608
Public safety:				
Police	5,666,100	5,738,948	5,570,179	168,769
Fire	3,983,400	4,076,482	4,000,092	76,390
Highways and public improvements	1,093,900	1,127,900	1,069,790	58,110
Parks, recreation and public property	759,500	801,500	752,656	48,844
Debt service:				
Principal	235,000	235,000	235,000	-
Interest	167,800	167,800	167,810	(10)
Total expenditures	<u>15,984,900</u>	<u>16,532,165</u>	<u>15,835,535</u>	<u>696,630</u>
Excess (deficiency) of revenues over (under) expenditures	<u>752,400</u>	<u>(174,435)</u>	<u>174,747</u>	<u>349,182</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	5,000	5,000
Transfer out	(1,259,900)	(1,359,900)	(1,039,319)	320,581
Net change in fund balance	<u>\$ (507,500)</u>	<u>\$ (1,534,335)</u>	<u>(859,572)</u>	<u>\$ 674,763</u>
Fund balance at beginning of year			<u>3,134,381</u>	
Fund balance at end of year			<u>\$ 2,274,809</u>	

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

MIDVALE CITY CORPORATION
Statement of Net Assets – Proprietary Funds
June 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Utility	Storm Water	Sanitation	Ambulance (non-major fund)	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,428,345	\$ 579,675	\$ 156,088	\$ 21,394	\$ 2,185,502	\$ 1,247,147
Accounts receivable, net	244,571	102,200	169,179	200,642	716,592	-
Prepays	943	471	236	-	1,650	471
Total current assets	1,673,859	682,346	325,503	222,036	2,903,744	1,247,618
Noncurrent assets:						
Restricted assets:						
Investment in South Valley Water Reclamation	2,127,383	-	-	-	2,127,383	-
Investment in Trans-Jordan Cities Landfill	-	-	1,083,970	-	1,083,970	-
Restricted cash (bond)	6,592,624	-	-	-	6,592,624	-
Unamortized bond issue costs	187,959	-	-	-	187,959	-
Capital assets:						
Land	4,728	-	-	-	4,728	-
Water stock	159,515	-	-	-	159,515	-
Construction in progress	877,880	300,733	-	-	1,178,613	-
Buildings, net	117,215	-	-	-	117,215	-
Improvements, net	4,441,031	-	-	-	4,441,031	-
Automobiles, net	-	-	-	-	-	2,585,408
Machinery and equipment, net	36,099	-	-	-	36,099	429,769
Infrastructure, net	-	964,435	-	-	964,435	-
Total noncurrent assets	14,544,434	1,265,168	1,083,970	-	16,893,572	3,015,177
Total assets	\$ 16,218,293	\$ 1,947,514	\$ 1,409,473	\$ 222,036	\$ 19,797,316	\$ 4,262,795

(Continued)

MIDVALE CITY CORPORATION
Statement of Net Assets – Proprietary Funds (Continued)
June 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Utility	Storm Water	Sanitation	Ambulance (non-major fund)	Total	
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 429,869	\$ 134,600	\$ 58,021	\$ 9,342	\$ 631,832	\$ 44,249
Salaries and benefits payable	13,492	6,890	1,765	-	22,147	4,991
Accrued liabilities	36,803	22,409	5,899	-	65,111	5,922
Accrued interest payable	92,157	-	-	-	92,157	-
Equipment lease payable	38,402	-	-	-	38,402	-
Bonds payable	150,000	-	-	-	150,000	-
Total current liabilities	760,723	163,899	65,685	9,342	999,649	55,162
Noncurrent liabilities:						
Customer deposits	6,880	-	-	-	6,880	-
Accrued liabilities	9,201	5,602	1,475	-	16,278	1,480
Equipment lease payable	191,610	-	-	-	191,610	-
Bonds payable	8,119,000	-	-	-	8,119,000	-
Unamortized bond premium	102,142	-	-	-	102,142	-
Total noncurrent liabilities	8,428,833	5,602	1,475	-	8,435,910	1,480
Total liabilities	9,189,556	169,501	67,160	9,342	9,435,559	56,642
NET ASSETS						
Invested in capital assets, net of related debt	5,406,456	964,435	-	-	6,370,891	3,015,177
Restricted for:						
Equity investment in joint ventures	2,127,383	-	1,083,970	-	3,211,353	-
Unrestricted	(505,102)	813,578	258,343	212,694	779,513	1,190,976
Total net assets	7,028,737	1,778,013	1,342,313	212,694	10,361,757	4,206,153
Total liabilities and net assets	\$ 16,218,293	\$ 1,947,514	\$ 1,409,473	\$ 222,036	\$ 19,797,316	\$ 4,262,795

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

MIDVALE CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds					Governmental
	Utility	Storm Water	Sanitation	Ambulance (non-major fund)	Total	Activities Internal Service Fund
<u>OPERATING REVENUES</u>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,438,200
Water sales	1,166,250	-	-	-	1,166,250	-
Sewer charges	626,693	-	-	-	626,693	-
Storm water charges	-	541,719	-	-	541,719	-
Sanitation charges	-	-	759,548	-	759,548	-
Transport charges	-	-	-	614,897	614,897	-
Other	223,165	16,844	8,972	-	248,981	-
Total operating revenues	2,016,108	558,563	768,520	614,897	3,958,088	1,438,200
<u>OPERATING EXPENSES</u>						
Salaries and wages	383,619	201,562	59,879	-	645,060	129,765
Employee benefits	146,968	79,786	15,721	-	242,475	59,434
Administration	310,741	82,537	67,801	454,012	915,091	164,996
Supplies	22,393	15,227	-	50,178	87,798	350,134
Repairs and maintenance	37,909	68,028	10,300	59,600	175,837	91,830
Waste disposal	-	22,568	607,099	-	629,667	-
Depreciation and amortization	155,483	47,869	-	-	203,352	608,974
Water treatment	381,156	-	-	-	381,156	-
Total operating expenses	1,438,269	517,577	760,800	563,790	3,280,436	1,405,133
Operating income	577,839	40,986	7,720	51,107	677,652	33,067
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Interest income	249,987	26,226	7,499	(1,279)	282,433	84,945
Interest expense	(270,352)	-	-	-	(270,352)	(2,748)
Equity investment gain/(loss)	(310,219)	-	69,794	-	(240,425)	-
Gain on disposal	-	-	-	-	-	132,220
Total nonoperating revenues (expenses)	(330,584)	26,226	77,293	(1,279)	(228,344)	214,417
Income before transfers	247,255	67,212	85,013	49,828	449,308	247,484
Transfers In	-	-	-	26,400	26,400	-
Transfers Out	-	-	-	(5,300)	(5,300)	-
Change in net assets	247,255	67,212	85,013	70,928	470,408	247,484
Total net assets - beginning	6,781,482	1,710,801	1,257,300	141,766	9,891,349	3,958,669
Total net assets - ending	\$ 7,028,737	\$ 1,778,013	\$ 1,342,313	\$ 212,694	\$ 10,361,757	\$ 4,206,153

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, 2008

	Business-type Activities - Enterprise Funds					Governmental
	Utility	Storm Water	Sanitation	Ambulance (non-major fund)	Total	Activities Internal Service Fund
Cash flows from operating activities						
Receipts from customers	\$ 2,025,963	\$ 548,206	\$ 753,210	\$ 599,360	\$ 3,926,739	\$ -
Receipts from interfund services	-	-	-	-	-	1,437,951
Payments to suppliers	(444,971)	(8,805)	(623,115)	(216,987)	(1,293,878)	(620,752)
Payments to interfund services	(122,800)	(50,900)	(58,500)	(380,800)	(613,000)	-
Payments to employees	(533,870)	(275,300)	(71,811)	-	(880,981)	(186,239)
Net cash provided (used) by operating activities	924,322	213,201	(216)	1,573	1,138,880	630,960
Cash flows from noncapital financing activities						
Transfers from other funds	-	-	-	26,400	26,400	-
Transfers to other funds	-	-	-	(5,300)	(5,300)	-
Net cash provided by noncapital financing activities	-	-	-	21,100	21,100	-
Cash flows from capital and related financing activities						
Purchase of capital assets	(2,145,991)	(160,819)	-	-	(2,306,810)	(1,570,591)
Proceeds from sale of capital assets	-	-	-	-	-	140,113
Proceeds from issuance of debt	6,650,000	-	-	-	6,650,000	-
Principal paid on capital debt	(37,002)	-	-	-	(37,002)	(124,553)
Interest paid on capital debt	(198,071)	-	-	-	(198,071)	(3,838)
Bond premium on issuance	103,174	-	-	-	103,174	-
Bond issuance costs paid	(163,472)	-	-	-	(163,472)	-
Net cash provided by (used in) capital and related financing activities	4,208,638	(160,819)	-	-	4,047,819	(1,558,869)
Cash flows from investing activities						
Interest received	249,987	26,226	7,499	(1,279)	282,433	84,945
Investments in joint ventures	(143,139)	-	-	-	(143,139)	-
Net cash provided by investing activities	106,848	26,226	7,499	(1,279)	139,294	84,945
Net increase (decrease) in cash and cash equivalents	5,239,808	78,608	7,283	21,394	5,347,093	(842,964)
Cash and cash equivalents, beginning of year	2,781,161	501,067	148,805	-	3,431,033	2,090,111
Cash and cash equivalents, end of year	\$ 8,020,969	\$ 579,675	\$ 156,088	\$ 21,394	\$ 8,778,126	\$ 1,247,147
Unrestricted cash	\$ 1,428,345	\$ 579,675	\$ 156,088	\$ 21,394	\$ 2,185,502	\$ 1,247,147
Restricted cash	6,592,624	-	-	-	6,592,624	-
	\$ 8,020,969	\$ 579,675	\$ 156,088	\$ 21,394	\$ 8,778,126	\$ 1,247,147

(Continued)

MIDVALE CITY CORPORATION
Statement of Cash Flows – Proprietary Funds (Continued)
For the Year Ended June 30, 2008

	<u>Business-type Activities - Enterprise Funds</u>					Governmental Activities Internal Service Fund
	<u>Utility</u>	<u>Storm Water</u>	<u>Sanitation</u>	<u>Ambulance (non-major fund)</u>	<u>Total</u>	
Reconciliation of operating income to net cash provided (used) by operating activities						
Operating income	\$ 577,839	\$ 40,986	\$ 7,720	\$ 51,107	\$ 677,652	\$ 33,067
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	155,483	47,869	-	-	203,352	608,974
Changes in assets and liabilities:						
Accounts receivable	9,690	(10,329)	(15,296)	(15,537)	(31,472)	-
Prepays	165	(28)	(14)	-	123	(249)
Accounts payable	179,824	128,655	3,585	(33,997)	278,067	(13,792)
Accrued liabilities	891	6,048	3,789	-	10,728	2,960
Customer deposits	430	-	-	-	430	-
Net cash provided (used) by operating activities	<u>\$ 924,322</u>	<u>\$ 213,201</u>	<u>\$ (216)</u>	<u>\$ 1,573</u>	<u>\$ 1,138,880</u>	<u>\$ 630,960</u>

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

MIDVALE CITY CORPORATION
Notes to the Financial Statements
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

The Midvale City Municipal Building Authority (MBA) was established to finance and construct municipal buildings that are then leased to the City. The MBA is governed by a five-member board of trustees composed of the City Council. Although it is a legally separate entity from the City, the MBA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the MBA. The MBA is included in these financial statements as the Municipal Building Authority Special Revenue Fund. Separate financial statements are not issued for the MBA.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

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.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

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. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following funds types:

Special Revenue funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for general and special revenue funds are identical. The City accounts for the Midvale City Redevelopment Agency and the Municipal Building Authority in special revenue funds.

The Cemetery Fund accounts for the provision of cemetery services at the City's cemetery. This fund is accounted for as a governmental fund.

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

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

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

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. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, and Net Assets or Equity

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

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

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

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

Other receivables at June 30, 2008, consist of property tax, franchise tax, sales tax, grants and accounts (billings for user charged services, including unbilled utility services). Taxes and grants are deemed collectible in full. The allowance for doubtful proprietary account receivables at June 30, 2008 is 265,228.

Receivables not expected to be collected within the subsequent year include loans in the Redevelopment Agency non-major special revenue fund.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Compensated Absences For governmental funds amounts of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Sick pay amounts are charged to expenditures when incurred. The City amended its Retirement Health Savings Plan in June, 2008. At the end of the first full pay period in January, 50% of accrued sick leave in excess of 480 hours (720 hours for firefighters) will be contributed to the employee's retirement health savings plan. After this contribution, employees may convert 25 percent of remaining accrued sick leave in excess of 240 hours to vacation leave. Employees may carry a maximum of 120 hours (156 hours for firefighters) of vacation leave forward to the next calendar year; the balance of unused vacation leave is forfeited. Unused vacation leave and comp time is paid to the employee upon termination.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Capital related items:

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

Cost of capital assets	\$ 105,662,972
Accumulated depreciation	<u>(26,345,732)</u>
Total difference	<u><u>\$ 79,317,240</u></u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

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, 2008 were:

General Obligation bonds	\$ 3,760,000
Lease Revenue bonds	39,797
Bond issuance premiums	71,909
Interest payable on long-term debt	47,500
Compensated absences	<u>454,810</u>
Total difference	<u><u>\$ 4,374,016</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	\$ 1,229,968
Depreciation expense	<u>1,837,382</u>
Net difference, as reported	<u><u>\$ (607,414)</u></u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

After the budget is adopted, the City Administrator 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, 2008

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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

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

4. DETAILED NOTES FOR ALL FUNDS

Cash and Investments

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council. As of June 30, 2008, \$268,829 of the City's bank balance of \$369,829 was uninsured and uncollateralized. Effective October 15, 2008, the federal deposits insurance corporation (FDIC) increased its insured cash amount from \$100,000 to \$250,000.

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.

As of June 30, 2008, the City had investments of \$4,828,988 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated. The City also held investment in U.S. Government securities of \$1,000,350.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

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	\$ 6,064,674
Restricted cash	<u>7,200,961</u>
	<u><u>\$ 13,265,635</u></u>

Receivables

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

	General	Utility	Storm Water	Sanitation	Nonmajor Funds	Total
Receivables:						
Taxes	\$4,664,812	\$ -	\$ -	\$ -	\$ -	\$4,664,812
Accounts and other	19,016	244,571	112,200	179,179	461,583	1,016,549
Intergovernmental	424,140	-	-	-	-	424,140
	<u>5,107,968</u>	<u>244,571</u>	<u>112,200</u>	<u>179,179</u>	<u>461,583</u>	<u>6,105,501</u>
Gross receivables						
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(245,228)</u>	<u>(265,228)</u>
Net total receivables	<u><u>\$5,107,968</u></u>	<u><u>\$ 244,571</u></u>	<u><u>\$ 102,200</u></u>	<u><u>\$ 169,179</u></u>	<u><u>\$ 216,355</u></u>	<u><u>\$5,840,273</u></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.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Loans Receivable

The City has made low cost building rehabilitation loans to businesses in downtown Midvale City. At June 30, 2008, the outstanding balance of the loans is \$15,477. The loans have been accounted for in the Redevelopment Agency (a special revenue fund). The terms of the loans are for ten years with interest rates ranging from 3% to 8%. All loans have scheduled payment amounts ranging from \$300 to \$604 per month, including interest. When possible, the loans are secured by the property being rehabilitated.

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:

	<u>Unavailable</u>	<u>Unearned</u>
Notes receivable (RDA Fund)	\$ 15,477	\$ -
Property taxes receivable (General Fund)	3,271,988	-
Various prepayments received (General Fund)	-	20,516
 Total deferred/unearned revenue for governmental funds	 \$ 3,287,465	 \$ 20,516

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>07/01/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/08</u>
<u>Governmental activities</u>				
Capital assets, not depreciated:				
Land	\$ 51,553,728	\$ 402,493	\$ -	\$ 51,956,221
Construction in progress	-	-	-	-
Total capital assets, not depreciated	<u>51,553,728</u>	<u>402,493</u>	<u>-</u>	<u>51,956,221</u>
Capital assets, depreciated:				
Buildings	9,665,933	94,381	-	9,760,314
Improvements other than buildings	494,708	16,422	-	511,130
Infrastructure	34,125,415	485,880	-	34,611,295
Machinery and equipment	<u>7,591,967</u>	<u>1,801,383</u>	<u>(569,338)</u>	<u>8,824,012</u>
Total capital assets, depreciated	<u>51,878,023</u>	<u>2,398,066</u>	<u>(569,338)</u>	<u>53,706,751</u>
Accumulated depreciation:				
Buildings	(2,138,936)	(195,134)	-	(2,334,070)
Improvements other than buildings	(193,142)	(17,120)	-	(210,262)
Infrastructure	(17,714,242)	(1,404,612)	-	(19,118,854)
Machinery and equipment	<u>(4,414,501)</u>	<u>(829,490)</u>	<u>561,445</u>	<u>(4,682,546)</u>
Total accumulated depreciation	<u>(24,460,821)</u>	<u>(2,446,356)</u>	<u>561,445</u>	<u>(26,345,732)</u>
Total capital assets, depreciated (net)	<u>27,417,202</u>	<u>(48,290)</u>	<u>(7,893)</u>	<u>27,361,019</u>
Net governmental capital assets	<u>\$ 78,970,930</u>	<u>\$ 354,203</u>	<u>\$ (7,893)</u>	<u>\$ 79,317,240</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets (Continued)

	<u>07/01/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/08</u>
<u>Business-type activities</u>				
Capital assets, not depreciated:				
Water stock and rights	\$ 159,515	\$ -	\$ -	\$ 159,515
Land	4,728	-	-	4,728
Construction in progress	468,185	1,038,699	(328,271)	1,178,613
Total capital assets, not depreciated	<u>632,428</u>	<u>1,038,699</u>	<u>(328,271)</u>	<u>1,342,856</u>
Capital assets, depreciated:				
Buildings	160,637	-	-	160,637
Improvements other than buildings	6,233,065	1,596,382	-	7,829,447
Infrastructure	1,746,050	-	-	1,746,050
Machinery and equipment	131,709	-	-	131,709
Total capital assets, depreciated	<u>8,271,461</u>	<u>1,596,382</u>	<u>-</u>	<u>9,867,843</u>
Accumulated depreciation:				
Buildings	(39,245)	(4,177)	-	(43,422)
Improvements other than buildings	(3,248,279)	(140,137)	-	(3,388,416)
Infrastructure	(733,746)	(47,869)	-	(781,615)
Machinery and equipment	(87,113)	(8,497)	-	(95,610)
Total accumulated depreciation	<u>(4,108,383)</u>	<u>(200,680)</u>	<u>-</u>	<u>(4,309,063)</u>
Total capital assets, depreciated (net)	<u>4,163,078</u>	<u>1,395,702</u>	<u>-</u>	<u>5,558,780</u>
Net business-type capital assets	<u>\$ 4,795,506</u>	<u>\$ 2,434,401</u>	<u>\$ (328,271)</u>	<u>\$ 6,901,636</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

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	\$ 141,500
Public safety	607,066
Highways and public improvements	1,623,897
Parks, recreation, and public property	<u>73,893</u>

Total depreciation expense - governmental activities	<u><u>\$ 2,446,356</u></u>
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Business-type activities:

Utility	\$ 152,811
Storm water	<u>47,869</u>

Total depreciation expense - business-type activities	<u><u>\$ 200,680</u></u>
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Investments In And Advances To Joint Ventures

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

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

The total debt service for the issued bonds is for two entities' (Midvale and West Jordan) obligation for their share of the expansion of the treatment plant. These two entities are billed monthly for principal and interest obligations for their share of debt service requirements. Midvale City's share of the principal balance at June 30, 2008 of \$19,280,000 is \$2,145,000.

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

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

SVWRF is governed by its board of directors. Under the organization agreement, each of the five members is entitled to appoint one of SVWRF's five directors. The management is under the Board of Directors, which elects officers and appoints the management staff. During the year ended June 30, 2008, the City contributed capital of \$143,139 to the facility and recorded a \$310,219 loss on joint venture.

The complete financial statements for South Valley Water Reclamation Facility for the year ended December 31, 2007 can be obtained from the South Valley Water Reclamation Facility at 7495 South 1300 West, West Jordan, UT 84084.

Trans-Jordan Cities Landfill The Utility fund has a 5.81% 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 8.81%, 31.89%, 11.07%, 25.39%, 8.29% and 8.74% 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, 2008, the City contributed capital of \$-0-, recorded a \$69,794 equity in income of joint venture, and increased its participating interest by the same amount, resulting in a net increase in its investment of the facility to \$69,794.

The complete financial statements for Trans-Jordan Cities Landfill for the year ended June 30, 2008 can be obtained from the Trans-Jordan Landfill offices, 10873 South 7200 West, South Jordan, UT 84095.

InterLocal Agreements

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

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

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

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

InterLocal Agreements (Continued)

Utah Telecommunications Open Infrastructure Network The City is one of 11 founding members of the Utah Telecommunications Open Infrastructure Network (UTOPIA), 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 and 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, 2007 the net assets deficit was \$(18,494,982). The audited financial statements for UTOPIA as of June 30, 2008 have not been released; however, unaudited financials indicate a significant net assets deficit.

The City is a pledging member who 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 2004 UTOPIA issued an \$85,000,000 revenue bond. The first four years of bond payments will be made from a debt reserve fund. From that point on, until the bonds are due in July 2026, net revenues from UTOPIA will reimburse the debt service 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. The City's percentage of the Debt Service Reserve shortfall is 6.03% with a yearly liability limited set at a maximum of \$608,337. Any bonds or debt issued or incurred by UTOPIA will not constitute debt of the City.

On July 1, 2007, the City was required to deposit \$608,337 into the UTOPIA Series 2004 Bond Debt Service Reserve Fund. These funds will remain on deposit until the sooner of the bonds being retired or 20 years from July 1, 2007. The City will be required to deposit additional funds if additional bonds are issued. To the extent that the initial projects operate profitably, UTOPIA has plans on issuing a total of \$340,000,000 in bonds.

Interfund Receivable, Payables and Transfers

At June 30, 2008, interfund balances due to or from other funds was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 275,000</u>
		<u>\$ 275,000</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Interfund Receivable, Payables and Transfers (Continued)

In addition to the above amounts which will be repaid by the respective funds, transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2008 were as follows:

<u>Fund Transferring Out</u>	<u>Fund Receiving Transfer</u>	<u>Amount</u>
General	Major capital projects fund	\$ 1,022,300
Nonmajor governmental fund	Major capital projects fund	22,319
Nonmajor governmental fund	Major capital projects fund	5,000
Major capital projects fund	Nonmajor enterprise fund	<u>26,400</u>
		<u>\$ 1,076,019</u>

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</u>
Public Safety Series 1999	\$5,000,000	\$215,000 to \$240,000	4.65% to 5.00%	9/15/2009	\$ 465,000
Public Safety Series 2005	3,370,000	\$20,000 to \$395,000	3.00% to 5.00%	9/15/2019	3,295,000
	<u>\$8,370,000</u>				<u>\$ 3,760,000</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

General Obligation Bonds (Continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 245,000	\$ 156,438	\$ 401,438
2010	260,000	150,225	410,225
2011	270,000	133,420	403,420
2012	280,000	124,205	404,205
2013	290,000	113,645	403,645
2014 - 2018	1,645,000	370,333	2,015,333
2019 -2020	770,000	34,260	804,260
	<u>\$3,760,000</u>	<u>\$1,082,525</u>	<u>\$ 4,842,525</u>

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, 2008, the City issued revenue bonds for \$6,650,000. Proceeds from this issuance will be used for various construction projects relating to water storage and pipeline upgrades primarily on the east-west corridors of the City. In addition, the City plans to implement an automated meter-reader system on water meters throughout the City.

Revenue bonds outstanding at June 30, 2008 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</u>
MBA Series 2001	\$ 260,000	\$26,035 to \$39,797	6.25%	5/15/2009	\$ 39,797
Water and Sewer Series 2007	1,619,000	\$66,000 to \$131,000	4.35%	4/1/2027	1,619,000
Water and Sewer Series 2007B	6,650,000	\$150,000 to \$435,000	4.50% to 5.00%	10/1/2032	6,650,000
	<u>\$8,529,000</u>				<u>\$ 8,308,797</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

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>
2009	\$ 189,797	\$ 354,922	\$ 544,719
2010	160,000	345,460	505,460
2011	231,000	338,560	569,560
2012	244,000	328,890	572,890
2013	247,000	318,888	565,888
2014 - 2018	1,436,000	1,419,063	2,855,063
2019 - 2023	1,784,000	1,072,000	2,856,000
2024 - 2028	2,047,000	667,883	2,714,883
2029 - 2033	1,970,000	230,853	2,200,853
	<u>\$8,308,797</u>	<u>\$5,076,519</u>	<u>\$13,385,316</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008 was as follows: (in thousands)

	<u>07/01/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/08</u>	<u>Due in One Year</u>
<u>Governmental activities</u>					
Bonds payable:					
MBA lease revenue	\$ 77,251	\$ -	\$ (37,454)	\$ 39,797	\$ 39,797
General obligation	3,995,000	-	(235,000)	3,760,000	245,000
Add: unamortized premium	73,843	-	(1,934)	71,909	-
Total bonds payable	4,146,094	-	(274,388)	3,871,706	284,797
Capital leases	124,553	-	(124,553)	-	-
Compensated absences	405,603	223,582	(172,895)	456,290	363,848
Governmental activities, long-term liabilities	<u>\$ 4,676,250</u>	<u>\$ 223,582</u>	<u>\$ (571,836)</u>	<u>\$ 4,327,996</u>	<u>\$ 648,645</u>
<u>Business-type activities</u>					
Bonds payable	\$ 1,619,000	\$ 6,650,000	\$ -	\$ 8,269,000	\$ 150,000
Capital leases	267,014	-	(37,002)	230,012	38,402
Compensated absences	65,398	39,881	(23,890)	81,389	65,111
Add: unamortized premium	-	103,174	(1,032)	102,142	-
Business-type activities, long-term liabilities	<u>\$ 1,951,412</u>	<u>\$ 6,793,055</u>	<u>\$ (61,924)</u>	<u>\$ 8,682,543</u>	<u>\$ 253,513</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2008

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Changes in Long-Term Liabilities (Continued)

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

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2008:

<u>Year Ending June 30,</u>	<u>Business-type Activities</u> <u>Fluoridation Equipment</u> <u>Lease</u>
2009	\$ 46,671
2010	46,671
2011	46,671
2012	46,671
2013	46,671
2014	<u>23,336</u>
Total minimum lease payments	256,691
Less: amount representing interest	<u>(26,679)</u>
Present value of net minimum lease payments	<u><u>\$ 230,012</u></u>

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, 2008 there were no outstanding unpaid claims. Also, the City had no claim settlements during the three years ending June 30, 2008 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, 2008

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Other Information (Continued)

Redevelopment Agency In connection with the activities of the Redevelopment Agency (RDA), incremental tax revenues totaling \$-0- were generated. The RDA was not required to pay any portion of this revenue to other taxing agencies.

During the year ended June 30, 2008, funds expended by the RDA were limited to the categories of capital outlay and administration costs. Administrative costs totaled \$108,435, and capital outlay expenditures totaled \$0.

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; 6.00% to the Local Government Contributory Retirement System, 12.29% to the Public Safety Retirement System for employers with Social Security coverage, and 12.76% to the Firefighters Retirement System, respectively. The City is required to contribute a percent of members' annual covered salary to the respective systems; 7.61% to the Local Government Contributory Retirement System (11.62% to the related Noncontributory Retirement System), 11.22% to the Public Safety Retirement System for employers with Social Security coverage (22.61% to the related Noncontributory Retirement System) and 12.76% to the Firefighters Retirement System. 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, 2008

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, 2008, 2007 and 2006, were equal to the required contributions for each year. The contribution amounts are as follows:

	2008	2007	2006
Local Governmental Contributory Retirement System	\$ 3,419	\$ 5,387	\$ 4,922
Local Governmental Noncontributory Retirement System	361,523	323,499	283,661
Public Safety Retirement System for Employers with Social Security Coverage	416,314	379,614	319,045
Firefighters Retirement System	194,073	158,068	125,155

Deferred Compensation Plan Under the URS, 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 \$160,903, \$181,024 and \$164,678 for the years ended June 30, 2008, 2007 and 2006, respectively.

401 Retirement Plan

The City also contributes to the International City Management Association (ICMA) Section 401 Qualified Retirement Plan, on behalf of each employee, the difference between the prescribed amount to the state defined benefit contribution rate and the total contribution benefit of 15.55% of earnings. The City's contributions to the ICMA 401 plan were \$267,716, \$246,100, and \$228,805 for the years ended June 30, 2008, 2007 and 2006, respectively.

SUPPLEMENTAL INFORMATION

MIDVALE CITY CORPORATION
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Redevelopment Agency</u>	<u>Municipal Building Authority</u>	<u>CDBG</u>	<u>Cemetery</u>	
<u>ASSETS</u>					
Cash and investments	\$ 121,205	\$ -	\$ -	\$ 48,412	\$ 169,617
Receivables:					
Loans receivable	15,713	-	-	-	15,713
Land held for resale	150,130	-	-	-	150,130
Total assets	\$ 287,048	\$ -	\$ -	\$ 48,412	\$ 335,460
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ 29,306	\$ 29,306
Accrued liabilities	2,528	-	-	-	2,528
Due to other funds	275,000	-	-	-	275,000
Unearned revenue:					
Loans receivable	15,477	-	-	-	15,477
Total liabilities	293,005	-	-	29,306	322,311
<u>FUND BALANCE</u>					
Reserved for:					
Land held for resale	150,130	-	-	-	150,130
Cemetery perpetual care - expendable	-	-	-	19,106	19,106
Unreserved:					
Special revenue funds	(156,087)	-	-	-	(156,087)
Capital project funds	-	-	-	-	-
Total fund balance	(5,957)	-	-	19,106	13,149
Total liabilities and fund balances	\$ 287,048	\$ -	\$ -	\$ 48,412	\$ 335,460

MIDVALE CITY CORPORATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue		Capital Projects		Permanent		Total Nonmajor Governmental Funds
	Redevelopment Agency	Municipal Building Authority	CDBG		Cemetery		
REVENUES							
Leases	\$ -	\$ 42,285	\$ -		\$ -		\$ 42,285
Interest income	4,100	-	-		2,254		6,354
Miscellaneous	10,207	-	-		-		10,207
Total revenues	14,307	42,285	-		2,254		58,846
EXPENDITURES							
Redevelopment	108,435	-	-		-		108,435
Debt service:							
Principal	-	37,456	-		-		37,456
Interest	-	4,829	-		-		4,829
Cemetery improvements	-	-	-		29,973		29,973
Total expenditures	108,435	42,285	-		29,973		180,693
Deficiency of revenues under expenditures	(94,128)	-	-		(27,719)		(121,847)
OTHER FINANCING USES							
Transfers out	-	-	(5,000)		-		(5,000)
Total other financing uses	-	-	(5,000)		-		(5,000)
Net change in fund balance	(94,128)	-	(5,000)		(27,719)		(126,847)
Fund balance, beginning of year	88,171	-	5,000		46,825		139,996
Fund balance, end of year	\$ (5,957)	\$ -	\$ -		\$ 19,106		\$ 13,149

MIDVALE CITY CORPORATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Capital Projects Fund (Major Fund)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Charges for services	\$ -	\$ 8,146	\$ 8,146	\$ -
Interest income	100,000	100,000	49,157	(50,843)
Total revenues	<u>100,000</u>	<u>108,146</u>	<u>57,303</u>	<u>(50,843)</u>
<u>EXPENDITURES</u>				
Capital outlay	2,663,100	2,771,246	1,860,979	910,267
Total expenditures	<u>2,663,100</u>	<u>2,771,246</u>	<u>1,860,979</u>	<u>910,267</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,563,100)</u>	<u>(2,663,100)</u>	<u>(1,803,676)</u>	<u>859,424</u>
<u>OTHER FINANCING SOURCES</u>				
Transfer in	1,130,200	1,230,200	1,044,619	(185,581)
Transfer out	(16,400)	(16,400)	(26,400)	(10,000)
Total other financing sources	<u>1,113,800</u>	<u>1,213,800</u>	<u>1,018,219</u>	<u>(195,581)</u>
Net change in fund balance	<u>\$ (1,449,300)</u>	<u>\$ (1,449,300)</u>	(785,457)	<u>\$ 663,843</u>
Fund balance at beginning of year			<u>2,391,606</u>	
Fund balance at end of year			<u>\$ 1,606,149</u>	

MIDVALE CITY CORPORATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Redevelopment Agency
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Interest income	\$ -	\$ -	\$ 4,100	\$ 4,100
Miscellaneous	10,200	10,200	10,207	7
Total revenues	10,200	10,200	14,307	4,107
EXPENDITURES				
Redevelopment	133,500	133,500	108,435	25,065
Total expenditures	133,500	133,500	108,435	25,065
Excess (deficiency) of revenues over (under) expenditures	(123,300)	(123,300)	(94,128)	29,172
Net change in fund balance	\$ (123,300)	\$ (123,300)	(94,128)	\$ 29,172
Fund balance at beginning of year			88,171	
Fund balance at end of year			\$ (5,957)	

MIDVALE CITY CORPORATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Municipal Building Authority
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Leases	\$ 42,300	\$ 42,300	\$ 42,285	\$ (15)
Total revenues	42,300	42,300	42,285	(15)
EXPENDITURES				
Debt service:				
Principal	37,500	37,500	37,456	44
Interest	4,800	4,800	4,829	(29)
Total expenditures	42,300	42,300	42,285	15
Net change in fund balance	-	-	-	-
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

MIDVALE CITY CORPORATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Cemetery Perpetual Care
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Interest income	\$ -	\$ -	\$ 2,254	\$ 2,254
Total revenues	-	-	2,254	2,254
<u>EXPENDITURES</u>				
Cemetery improvements	-	30,000	29,973	27
Total expenditures	-	30,000	29,973	27
Net change in fund balance	\$ -	\$ (30,000)	(27,719)	\$ 2,281
Fund balance at beginning of year			46,825	
Fund balance at end of year			\$ 19,106	

COMPLIANCE REPORTS

Hansen, Bradshaw, Malmrose & Erickson

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of Midvale City Corporation, Utah (the City), as of and for the year ended June 30, 2008, and have issued our report thereon dated October 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

This report is intended solely for the information and use of management, the City Council and others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

October 27, 2008

Hansen, Bradshaw, Malmrose & Erickson

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Midvale City Corporation, Utah (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation, Utah as of and for the year ended June 30, 2008, and have issued our report thereon dated October 27, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Midvale City Corporation, Utah's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the City Council and others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

October 27, 2008

MIDVALE CITY CORPORATION
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Justice			
Direct Program:			
Pass Through State:			
Victims of Violent Crime	16.575	06-VOCA-28	\$ 71,252
Justice Assistance Grant	16.738	DJ-BX-0166	23,669
Total U.S. Department of Justice			94,921
Environmental Protection Agency			
Direct Program:			
Superfund State Site Specific Cooperation	66.802	V97810901	152,726
Total Environmental Protection Agency			152,726
U.S. Department of Transportation			
Pass Through State:			
Alcohol Traffic Safety & Drunk Driving Prevention	20.601	DUI	6,114
Safety Incentive Grants for Use of Seat Belts	20.600	Safety Restraint	4,435
Total U.S. Department of Transportation			10,549
U.S. Department of Health and Human Services			
Pass Through State:			
Abstinence Education	93.235	06-1424	62,690
Total U.S. Department of Health and Human Services			62,690
U.S. Department of Housing and Urban Development			
Pass Through County:			
Community Development Block Grant	14.218	BV03353C	229,115
Total U.S. Department of Housing and Urban Development			229,115
U.S. Department of Homeland Security			
Direct Program:			
FEMA Emergency Management Performance	97.042	EMPG-2008-HLS-040	5,650
Pass Through State:			
State Domestic Preparedness Equipment Support Program	97.067	SHSP 05	3,347
State Domestic Preparedness Equipment Support Program	97.067	LETP 05	1,355
State Domestic Preparedness Equipment Support Program	97.067	SHSP 06	2,654
State Domestic Preparedness Equipment Support Program	97.067	LETP 06	5,877
State Domestic Preparedness Equipment Support Program	97.067	SHSP 07	6,761
State Domestic Preparedness Equipment Support Program	97.067	LETP 07	1,968
Total U.S. Department of Homeland Security			27,612
			\$ 577,613

MIDVALE CITY CORPORATION
Notes to Schedule of Expenditures of Federal Awards
June 30, 2008

1. PURPOSE OF THIS SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the City's basic financial statements and is presented for additional analysis. The Schedule is required by the office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Midvale City Corporation, Utah. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Financial Assistance - Pursuant to the Single Audit Act of 1984; the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, endowments, or direct appropriations. Federal financial assistance does not include direct federal cash assistance to individuals.

Catalog of Federal Domestic Assistance - OMB Circular A-133 requires the Schedule to show the total expenditures for each of the City's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide summary of individual federal programs. Each program included in the CFDA is assigned a five digit program identification number (CFDA number) which is reflected in the Schedule. Federal financial assistance programs and contracts which have not been assigned a CFDA number have been identified as None in the CFDA Column of the schedule.

Type A and Type B Programs - The Single Audit Act of 1984 (as amended in 1996) and OMB Circular A-133 establish the levels to be used in defining Type A and Type B federal programs. Type A programs for Midvale City Corporation, Utah are those programs that exceeded \$300,000 in the federal awards expended for the fiscal year ended June 30, 2008. All other programs are classified as Type B by the City.

Reporting Entity

The City reporting entity is fully described in Footnote 1 of the City's basic financial statements. The Schedule includes all federal financial assistance programs administered by the City for the year ended June 30, 2008.

MIDVALE CITY CORPORATION
Notes to Schedule of Expenditures of Federal Awards (Continued)
June 30, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Federal financial assistance programs included in the Schedule are reported using the modified accrual basis of accounting.

MIDVALE CITY CORPORATION
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Midvale City Corporation, Utah.
2. No instance of noncompliance material to the financial statements of Midvale City, Corporation, Utah were disclosed during the audit.
3. The auditors' report on compliance for the major federal award programs for Midvale City Corporation, Utah expresses an unqualified opinion.
4. No Questioned Costs were discovered during the audit.
5. The programs tested as major programs were:
 - U.S. Department of Housing and Urban Development, Community Development Block Grant (Pass-through Salt Lake County)
CFDA No. 14.218
6. The threshold for distinguishing Type A and B programs was \$300,000.
7. Midvale City Corporation, Utah was determined to be a low-risk auditee.

Hansen, Bradshaw, Malmrose & Erickson

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STATE LEGAL COMPLIANCE REPORT

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

We have audited the basic financial statements of Midvale City for the year ended June 30, 2008 and have issued our report thereon dated October 27, 2008. As part of our audit, we have audited compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2008. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Justice Courts Compliance
Cash Management	Asset Forfeiture
Purchasing Requirements	Utah Retirement Services
Budgetary Compliance	Other General Compliance
Truth in Taxation & Property Tax	Uniform Building Code Standards
Limitations	
Liquor Law Enforcement	
B&C Road Funds	

The management of Midvale City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Midvale City complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2008.

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

October 27, 2008